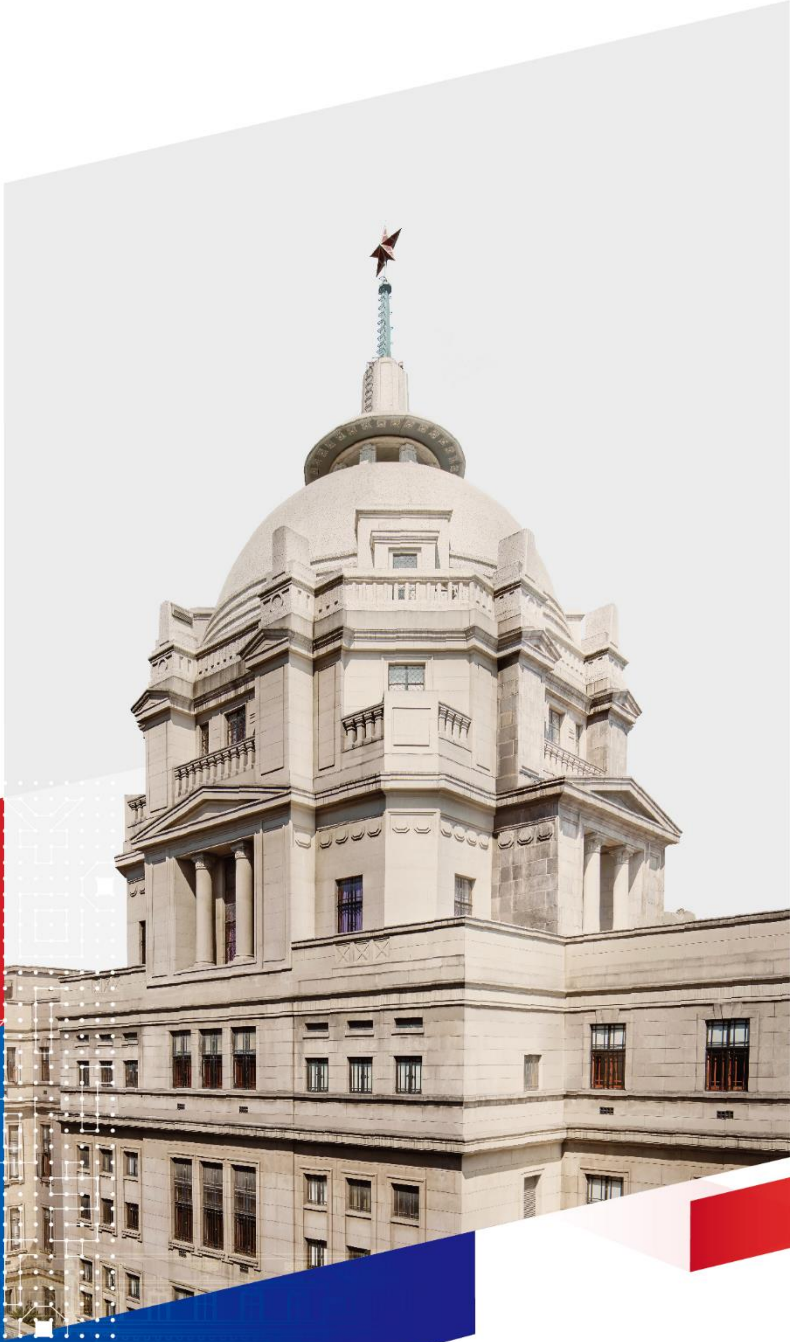
浦发银行
SPD BANK

2021年
年度报告



ANNUAL
REPORT

上海浦东发展银行股份有限公司

Mission

Finance creates value for better life

Strategic objectives

Grow into a globally competitive, top-notch joint-stock commercial bank which moves early to secure a leading position in promoting the finance sector toward high-quality development in the new era

Core values

Stick to integrity and strive for excellence

View of development: prioritize on developing principal business for stable operation in the long run

View of talent: pursue a people-centric approach to discover talent people and put them in suitable positions

View of risk: make forward-looking, precise judgment, take actions prudentially, and know where to stop

View of management: conduct lawful and compliant management for intensive and efficient operation

View of business performance: seek high-quality and sustainable business development

Corporate spirit

Strive with one heart

Organizational climate

Optimism, plainness, unity and sharing

Manager image

Righteous, wise, pioneering and responsible

Employee image

Dedicated, professional, innovative and promising

Brand proposition

New thinking, heartfelt service

Important Notice

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors, and Senior Management members of the Bank warrant that the information presented in this Report is authentic, accurate and complete, contains no false record, misleading statement or material omission, and bear joint and several liability for the information in this Report.

2. This Report was reviewed and approved at the 37th Meeting of the Seventh Board of Directors held in Shanghai on 26 April 2022, which was attended by 12 directors in person.

3. The 2021 financial statements prepared by the Bank in accordance with the Accounting Standards for Business Enterprises and the International Financial Reporting Standards have been audited by KPMG Huazhen LLP who issued a standard unqualified opinion.

4. Zheng Yang, Chairman of the Board of Directors, Pan Weidong, President of the Bank, Wang Xinhao, Vice President and Chief Financial Officer, and Li Lianquan, person in charge of accounting institutions, warrant the authenticity, accuracy and completeness of the financial statements in this Report.

5. The profit distribution plan for the reporting period approved by the Board of Directors is as follows: Distributing to all ordinary shareholders cash dividends at RMB4.1 (tax inclusive) per 10 shares based on the total number of ordinary shares on the day of profit distribution and equity registration. As at 31 December 2021, the Bank's ordinary shares totaled 29,352,168,006, based on which the cash dividends to be distributed were calculated in RMB12,034 million (tax inclusive).

6. There was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes.

7. The Bank provided no external guarantee in violation of the required decision-making process.

8. Risk statement on forward-looking statements: The future plans, development strategies and other prospective description stated in this Report do not constitute substantial warranty of the Bank to the investors; the investors and other related persons shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

9. Notes on material risks: The Bank has no foreseeable material risks. Operating risks facing the Bank mainly include credit risk, market risk, liquidity risk, and operational risk. The Bank has taken various measures to manage and control various operating risks, which are shown in the "Risk Management" under Section III "Management Discussion and Analysis".

Contents

Message from Chairman of the Board of Directors

Seasons change, and time flies by. The year 2021 was a milestone in the history of the Communist Party of China ("the CPC" or "the Party") and the People's Republic of China ("PRC" or "China"). In the year, the Chinese people embarked on a new journey toward realizing the second centenary goal and building a great modern socialist country in all respects. The year was exceptional for SPD Bank, when we got off to a good start in the 14th Five-year Plan period. As a national joint-stock commercial bank headquartered in Shanghai where the Party was founded and its founding aspiration originated, we made the great spirit of the Party in our DNA, well balanced COVID-19 response and business development, and united over 60,000 staff members to work hard with one heart, serve our customers wholeheartedly, and fulfill our responsibilities with concrete efforts. In the year, **we made steady progress on the path of honoring our long-term commitments**. Specifically, our business development continued to improve structurally, asset quality enhanced steadily, and distinctive businesses gathered considerable momentum, with our total assets safely crossing the RMB8 trillion mark. **We firmly advanced on the path of transformation and development.** Our efforts to become an asset-light bank, a green bank, and a panoramic bank turned out very fruitful. **We always rallied around the path to ranking among the first.** Spearheaded by our corporate spirit, everyone of us endeavored to create a brilliant future once again, and moved towards the goal of "building a globally competitive, top-notch joint-stock commercial bank". On behalf of the Board of Directors, I would like to express my heartfelt gratitude to all shareholders, customers, and persons from all walks of life for their long-term support and care in the growth and development of SPD Bank. And we sincerely expect they will care for and back up us as always.

Party building steered us towards high-quality development over the long term. During the year, we closely integrated the leadership of the Party with our efforts to improve corporate governance, adhered to the principles of statutorily-defined and transparent rights and responsibilities, coordinated operations, and effective checks and balances, and worked hard to explore the best corporate governance practices with Chinese characteristics. We actively built an outstanding board of directors to keep up with the new trend of group-wide development, and accelerated the adaptation to the new characteristics of cross-border, cross-industry, and cross-market development, with a view to continuously improving the effectiveness of corporate governance. While aiming high, we worked hard to instill the awareness of competition and leadership in employees, and kept improving the incentive and constraint mechanisms to provide a strong impetus for high-quality development. With respect to ESG responsibilities, we refined the consumer protection mechanisms, safeguarded the legitimate rights and interests of relevant parties, and strove to create value with joint efforts. In the year, we moved up two places to 18th in the Top 1000 World Banks ranking and 19 places to 201st in the Fortune 500 list, both of which attested to our more steadfast pursuit of excellence.

Always bearing the founding mission in mind, we went all out to form a new development pattern. In 2021, we formulated the group-wide strategic development plan and innovation plan for the 14th Five-year Plan period to draw a new blueprint for our high-quality development. We clearly put forward the strategy of **three major transformations**, that is, asset-light, carbon peaking and carbon neutrality, and digitalization, in a bid to forge a sustainable profit model at a faster pace. To make the best of "finance + technology", we strengthened top-level design and overall planning, and empowered the development of the real economy through two-way opening, both internally and externally, thus improving our financial services in terms of coverage, accessibility, and convenience. Meanwhile, we gave full play to the steering role of strategic objectives, and adhered to the five-pronged overall planning of becoming a trustworthy, preferred bank in the eyes of customers, a high-quality blue chip of the capital market, an attentive employer that shares development results with employees, a systemically important bank which boasts of operational compliance and causes no worry for regulators, and a respectable and trusted corporate citizen.

With the ambition of "serving the country with financial strength", we built on our track record of serving the real economy. In the year, we, keeping in mind the top priority of providing financial services for the people, were active on the front line of serving the implementation of national strategies and the development of the real economy. Keenly aware of our duties as a flagship financial enterprise based in Shanghai, we took root in the Yangtze River Delta, while radiating our service reach to the Beijing-Tianjin-Hebei region and the Guangdong-Hong Kong-Macao Greater Bay Area. We spared no effort to support Shanghai in pressing ahead with the construction of an international financial center and Pudong New Area in building itself into a leading zone of socialist modernization. We vigorously exploited our home-field advantages to consolidate our position as the No.1 joint-stock bank of the region in terms of deposit and loan size, and further shone our distinctive brand images as "a bank based in the Yangtze River Delta" and "a bank that goes global from the Yangtze River Delta". To practice the concept of green development, the "SPD Green Innovation" was designed to effectively integrate traditional credit products with financial instruments such as mergers and acquisitions (M&As), bonds, and equity, to build a green finance supermarket that "crosses the interbank market, capital market, and carbon finance element market". The "SPD Scientific & Technological Innovation" enabled us to thoroughly support innovative enterprises, by serving over 70% of the companies listed on the STAR Market. Additionally, we got actively involved in building Shanghai into a global asset management center and building ourselves into the "smartest wealth management bank". SPDB Wealth Management Co., Ltd., our wholly-owned subsidiary, commenced for business.

Firmly holding the bottom line of risk compliance to ensure robust development. In 2021, we upheld the overall guideline of "seeking progress amid stability". Specifically, our business progress was underpinned by steady asset quality. Far-sighted enough, we actively pushed forward risk resolution despite the mounting pressure. With the hard nut of risks in stock cracked, we set a record high in cash recovery year after year, and achieved a hard-won double reduction in the amount and ratio of non-performing loans (NPL) for eight consecutive quarters. Spearheaded by the risk control concept of "making forward-looking, precise judgment, taking actions prudentially and knowing where to stop, exercising rigid control over risks towards steady development, and ensuring all-employee participation", we kept doing better in risk forecast and real-time monitoring in a complex environment, served as a strong backup for high-quality development, and fought a tough battle to prevent and resolve material financial risks. Well aware of the great responsibilities falling on the shoulders of a systemically important bank, we always saw the big picture, continued to practice the asset-light business tenet, and built up the capacity for endogenous capital accumulation.

Looking into 2022, the CPC will convene the 20th National Congress, and SPD Bank will implement its strategic development plan for the 14th Five-year Plan period at greater depth. Faced with the COVID-19-inflicted critical changes and the imperative needs arising from our transformations, we will fight with an entirely new posture, calibrate our strategies and values, and **be a firm long-termist that can survive cycles and changes**. **Long-termism is a kind of values or belief. It makes us steadfast in our founding mission and brave enough to move forward in spite of various temptations and difficulties. Long-termism is also a mode of thinking and behavior. It ensures that we do the difficult but right things, remain down-to-earth, keep our own pace, and pursue excellence. Being a long-termist requires us to deal with sudden changes in a sober-minded, science-based, and well-planned manner.**

In 2022, stability is the top priority of our work. We will continue enhancing our strategic thinking, systematic thinking and bottom-line thinking, anchor our business development to strategic goals in exchange for greater strategic resilience, and sit firmly in the driver's seat along the entire journey toward steady and sustained development. We will do everything possible to serve the implementation of major strategies of the State and key tasks in Shanghai, grasp the historic opportunities presented by economic restructuring & upgrading, capital market reform and other initiatives, and make distinctive businesses in key areas of scientific & technological innovation, green development, investment banking, free trade, and wealth management, among others. With business potential fully unlocked, the "robust SPD" vision will come on a more solid footing.

In 2022, compliance will come in the first place. We will keep a firm grip on compliance as the lifeline of bank operation, remain vigilant against potential dangers and crises, and adhere to bottom-line thinking and long-termism to secure victories one after another. We will build the compliance system from the height of corporate governance, foster a deep-rooted compliance management culture, and advocate the concept of "reducing risks, propelling development, and creating value through operational compliance". SPD Bank, united as a whole, will continuously consolidate the foundation of compliance and internal control, and promote high-quality development with efficient governance.

In 2022, customers will be our first priority. In the financial track that requires long-termism, customers are the cornerstone and ultimate judge of bank operation. We are dedicated to creating value for customers and retaining them with quality finance. With a customer-centric and big-picture mindset, we will move faster to build a new system of customer operation. Pursuing an innovation-driven approach, we will work harder to empower business development with digital means, and promote the formation of a new enterprise-level, integrated customer management pattern that stresses internal support and holistic progress across the Group.

In 2022, services will be our focus. With the founding mission of serving the people with financial strength, we will strive to improve our service quality and experience towards the goal of "providing services that attract and retain customers", and accelerate the formation of a service brand that is competitive and well-reputed in the industry. When it comes to the empowering role of technology, we will not only use groundbreaking innovations to create featured products and services that are unique to us, thus safeguarding our business development, but also harness progressive innovation to launch products and services that outperform our competitors, as a move to continuously raise the utilization rate and satisfaction of customers with our financial services.

In the year ahead, we will go on a new journey together, no matter how rough it is.

Dear shareholders, SPD Bank will enter its thirtieth year. Through the whole journey, we have always kept in line with the CPC Central Committee, paced with the times, and gone along with our customers. Looking ahead, **every person at SPD Bank will stay true to our founding mission of serving the country and the people with financial strength, firmly act as a long-termist in high-quality development**, and ensure our business results on the upward track with stronger strategic implementation. In the process, we will create greater value for customers, shareholders, society, and various stakeholders, to celebrate our 30th anniversary with excellent business performance, and pay tribute to the 20th National Congress of the CPC with concrete action!

Zheng Yang, Party Committee Secretary and Chairman

Message from President

In 2021, facing the challenges posed by the unprecedented changes and the globally sweeping COVID-19 pandemic, the Chinese economy tried to overcome the ongoing difficulties with resilience, took new steps toward the formation of a new development pattern, and achieved new results in high-quality development, thus getting off to a good start in the 14th Five-year Plan period. The year 2021 also witnessed the 100th anniversary of the founding of the CPC. As a national joint-stock commercial bank headquartered in Shanghai, the birthplace of the great founding spirit of the Party, SPD Bank thoroughly implemented the decisions and plans made by the CPC Central Committee, the State Council, Shanghai Municipal Party Committee and Shanghai Municipal People's Government, composedly coped with various challenges, and firmly promoted its transformation and development, thus making steady progress towards the strategic goal of "growing into a globally competitive, top-notch joint-stock commercial bank".

Operational quality and efficiency were improved steadily. Despite multiple sources of pressure, we achieved a group-wide revenue of RMB190,982 million and the net profit attributable to the parent company of RMB53,003 million. Though operating profit dropped slightly, we were brave enough to get rid of the burdens of the past and took the initiative to optimize our business structure, thus laying a solid foundation for long-term development. During the year, we accelerated risk mitigation. The NPAs disposed of came at an all-time high, and the NPL ratio and balance kept falling for eight consecutive quarters, which attested to our steadily improved asset quality. At the same time, we made every effort to serve the implementation of major national strategies and the development of the real economy. We worked hard to take in more settlement deposits, and saw a positive trend in the total amount, cost, and structure of liabilities. In the year, our high-quality development came on a more solid footing, and our transformation and upgrading efforts started to bear fruit.

Superior and distinctive businesses were forged into shining brands. Seizing the great opportunities presented by the Yangtze River Delta integration, we translated our **home-field advantages in the Yangtze River Delta region** into new sources of momentum and effective results, with our deposits and loans in the region both ranking first among all joint-stock commercial banks nationwide. **Green finance** was innovated, with balance and growth rate of green credit both at the forefront of joint-stock peers and the green bonds underwritten soaring by 730% year on year. We unveiled the "SPDB Green Innovation" brand, and launched a host of pioneering innovations in the industry such as pledged loans in the carbon market and a carbon account system. **Innovative finance** continued to create a service ecosystem that would run through the entire life cycles of financial products such as equity, bonds, and loans. Of our corporate customers, there were over 40,000 scientific and technological enterprises, an increase of 20% year on year. The outstanding loans extended to them went beyond RMB300 billion, up 26% year on year. Meanwhile, over 70% of companies listed on the STAR Market were our customers. **Pan-investment banking** business went deeper, as we lead underwrote bonds of over RMB740 billion and extended RMB60 billion of new M&A loans at home and abroad, an increase of 24% year on year. **Free trade (FT) finance** consolidated its first-mover advantage, with the balances of FT deposits and loans both growing over 28%. **Wealth management** strengthened "digital and intelligent" operation. The fund of funds (FOF) products were sold faster, family trust business developed in a targeted manner, and private banking formed an increasingly complete lineup of platform-based, diversified and specialized products. The "**SPDB Risk Hedging**" brand gained further influence, by serving 23,000 corporate customers. **The custodian business** seized the opportunity presented by the rapidly expanded market to enhance the brand influence of "SPD Custodian".

We curbed new risks and mitigated old ones, and consolidated the foundation of risk management to fight a tough battle to prevent and control various risks. In the past two years, SPD Bank kept accelerating the pace of NPA disposal despite mounting pressure and backbreaking burden, with breakthroughs secured in risk mitigation. In 2021, the NPAs disposed of increased by 10% year on year, including RMB36 billion recovered in cash, setting another record high. By resolving the debts left over from the past and accelerating risk mitigation, we lightened our burden and laid a solid foundation for sustainable development. Spearheaded by the risk concept of "making forward-looking, precise judgment, taking actions prudentially, and knowing where to stop", we strengthened credit orientation management and authorization management, efficiently supported the supply of high-quality assets, continuously tightened risk prevention and control in key areas, and optimized asset quality from source, so as to enhance risk management capabilities on all fronts.

Technology-enabled and forward-looking explorations were made to go further digital. By activating data elements, stressing business empowerment and integrating service scenarios, we launched an industry-specific digital finance SaaS platform to make API connection accessible for more customers. We optimized customer experience delivered through online channels, with the transactions through mobile banking crossing the RMB100 million mark for the first time, the monthly active users (MAU) of retail mobile banking rising faster than any other joint-stock commercial banks in China, and the registered users of the SPD Life Service platform exceeding 20 million. To press ahead with the construction of the "smartest wealth management bank", we facilitated the conversion from MAUs to assets under management (AUM); focused on data asset management to promote the application of big data in key areas; intensified data governance to improve data quality; laid a solid technological foundation to migrate from the traditional architecture to a cloud native one; and updated the enterprise-level office platform with an aim to increase the adoption of digital means in office operation. Different areas upgraded their digital transformation once again, and new progress was made in the construction of a "panoramic bank".

Though we are moving through a painful period of transition, openness, innovation, rationality, and pragmatism have always been in our DNA. The robust development attained and the unique advantages accumulated in the past 29 years have given us the confidence to press ahead with reform, innovation, transformation and development. Looking ahead to 2022, we will strive forward with one heart and mind, act on the general principle of "making progress in the midst of stability", and follow the main line of "holding fast to long-term commitments, laying a solid foundation, advancing overall, and playing the empowering role of digital means". We will pay equal attention to adjusting structure and increasing revenue, make sure risk prevention and business development go in parallel, and foster new engines of growth in response to the ongoing trends. By creating small wins that could grow into something bigger, we will make steady strides towards the strategic development plan for the 14th Five-year Plan period.

Sober-minded and well-prepared, we will push forward the three major transformations, that is, asset-light, carbon peaking and carbon neutrality, and digitalization. The group-wide strategic development plan and innovation plan for the 14th Five-year Plan period have clearly defined the strategic objectives and implementation paths for SPD Bank to create new engines of growth and attain new developments in the new era. We will push forward **asset-light transformation**. To this end, we will focus on enabling asset-light businesses such as investment banking, wealth management, consumer finance, wealth management and asset custody to grow stronger, create featured businesses and products, and optimize the business structure to achieve less capital consumption, more intensive operation, more efficient development, and more considerable rewards. We will make progress towards **carbon peaking and carbon neutrality transformation**. To better serve the major national strategy of "carbon emissions peaking and carbon neutrality", we will become more green in terms of our asset and liability structure, product and service model, and corporate philosophy and culture, build a three-dimensional green financial service ecosystem featuring "financing + intelligence + technology" and consisting of such products as green credit, green bonds, green leasing, green trust, green funds and ESG indices, and further polish the "SPDB Green Innovation" brand. We will press ahead with **digital transformation**. With a user-oriented mindset, we will increase the penetration of digital genes and use a combination of "data + technology" to build a customer- and scenario-centered financial service system. While exploring business potential with comprehensive digitalization, we will enter a new stage of building the panoramic bank, which will "face all users, run through the entire time domain, provide full services, and realize complete intelligent connection".

Innovative and motivated enough, we will focus on forming a new business model of "fields and ecosystems". Actively aligned with national strategies and policies, we will focus on the main fields of green, low-carbon economy, automobile, biomedicine and grand consumption, and take core enterprises, links and scenarios in these fields as breakthroughs to extend our marketing coverage and reach all customers in the ecosystem. We will strengthen industry chain-based operation, establish a data-driven mechanism to gain insights into industry customers, and focus on various scenarios to create an industry-specific digital finance SaaS platform at a faster pace, with a view to truly empowering industrial upgrading with financial strength. Relying on the new business model of "fields and ecosystems", we will shore up our industrial research capability and collaborative operation capacity, embark on a new path to becoming an expert in vertical industry operation and ubiquitous coverage of the entire industry chain ecosystem, so as to truly maximize the operation effectiveness.

Staying true to our long-term commitments, we will focus our efforts on building a "century-old brand". Long-termism is a principle that SPD Bank upholds in response to various uncertainties, and it is also an important guide for us to maintain strategic stability and enhance development resilience. At a tough stage of reform and transformation, we will closely combine the long-term strategic planning and the near-term business objectives, establish the long-termist views of development, business performance, risk, talent, and digital operation, and take a balanced approach, with the founding mission kept in mind, to strengthen corporate governance, integrate the ESG concept, press ahead with customer management, cultivate a sound compliance culture, strengthen risk control, and promote team building, all of which are intended to give a new impetus for high-quality development. We will do difficult but right things, even if they take much time and proceed not always smoothly.

As the greatest truths are the simplest, hard work will come as the top priority. Everyone at SPD Bank will maintain the corporate spirit of grasping the nettle and carrying the burden, fulfill our responsibilities through practical actions, and serve major national strategies, key tasks of Shanghai and the development of the real economy, to celebrate our 30th anniversary with new achievements, and pay tribute to the 20th National Congress of the CPC with high-quality business development!

Pan Weidong, Deputy Party Committee Secretary, Vice Chairman & President

Message from Chairman of the Board of Supervisors

In 2021, SPD Bank wrapped up its three-year action plan and unveiled its strategic development plan for the 14th Five-year Plan period. In the year, we thoroughly implemented the decisions and plans made by the CPC Central Committee, the State Council, Shanghai Municipal Party Committee and Shanghai Municipal People's Government. As per regulatory requirements and the objectives set out in our strategic development plan, we worked with one heart to overcome the adverse effects and tough challenges brought about by the economic downturn and the prolonged COVID-19 pandemic, by pressing ahead with our transformation and development and vigorously serving the real economy. Thanks to these tremendous efforts, our high-quality development came on a steadily consolidated foundation, business structure continued to improve, risk reduction endeavors achieved remarkable results, and asset quality enhanced steadily, all of which were hard-won operating results we achieved throughout the year.

With the support and cooperation of the Board of Directors and the Senior Management of the Bank, the Board of Supervisors **performed its duties legally and diligently and focused oversight on key work.** It supervised the duty performance by the Board of Directors, the Senior Management and their members, as well as financial affairs, risk management, and internal control and compliance, among other aspects, in accordance with laws and regulations. It also prompted the Bank to solve problems existing in operation and management activities, and strove to improve the quality and effectiveness of supervision, with a view to contributing to the Bank's high-quality and sustainable development.

In 2021, the Board of Supervisors held meetings as per pertinent laws and regulations, and performed its statutory supervisory duties. It focused on considering and gave comments/suggestions on a host of major operation and management matters concerning strategic planning, capital management, periodic reports, financial budget/final accounts, profit distribution plan, comprehensive risk management, asset loss write-off, internal control, and compliance risk management. Supervisors punctually attended or participated as non-voting delegates in shareholders' meetings, Board meetings, and important meetings of operation and management; conducted surveys and inspections at the primary level; oversaw the decision-making process and the implementation of decisions; evaluated the duty performance by the Board of Directors, the Senior Management and their members in accordance with pertinent laws and regulations; monitored and evaluated the operation and management activities carried out by the Bank; and produced performance evaluation reports and corporate supervision & evaluation reports, which were submitted to regulators and competent authorities on time, and sent to the shareholders' meeting.

In 2021, the Board of Supervisors continued to oversee key areas such as financial affairs, risk management, and compliance & internal control as per the requirements of financial and state-owned assets regulators, and made timely comments and suggestions from the supervisory perspective. In terms of financial supervision, it focused attention on the authenticity of periodic reports and the progress in data governance. Special supervision initiatives were conducted to make rectification as pointed out in the reply to final accounts, address the problem that the Group was found to act as a controlling shareholder without de facto control, and check the implementation of investment management policies, so that the Bank could continuously improve the quality of basic data and raise financial management standards, guarantee the true, accurate and complete reflection of operating results, and safeguard the legitimate interests of the Bank, shareholders, investors, and other stakeholders. With respect to risk management supervision, it placed emphasis on comprehensive risk management, asset quality, and prevention & resolution of material risks. Special supervisory inspections were carried out on the implementation of major policies for the prevention and mitigation of materials risks, so that the Bank could continuously improve its comprehensive risk management mechanisms and raise its risk management standards. As to compliance and internal control supervision, it gave priorities to the optimization and implementation of the compliance management mechanisms, the oversight of the Year for Enhancing Internal Control and Compliance Management campaign, and the cooperation with the on-site inspection initiated by the CBIRC to examine the effectiveness of risk management and internal control. With these measures, the Bank was urged to build a sound compliance culture and elevate its internal control and compliance management to a higher level.

In 2021, the Board of Supervisors stepped up self-building efforts, actively explored innovative means and methods of supervision, and continuously improved the modern corporate governance supervision mechanism. Its work mainly unfolded in the following aspects. It highlighted the learning of and training on regulatory documents, communication with regulators, and exchange with its counterparts, with an aim to perform its duties in a more professional way. It worked hard to bring into play the expertise and roles of different supervisors, improved the notification mechanism for operation and management information, did better in safeguarding the duty performance by employee supervisors, and encouraged external supervisors to perform their duties and offer advice diligently. To generate a greater synergy of internal and external supervision, it strengthened communication, collaboration, and information sharing between internal risk, compliance, audit departments and external auditors, with the quality and efficiency of supervisory work further assured. As to the improvement of rules and policies, it revised the operational and managerial information reporting policy and the measures for the evaluation of duty performance by supervisors to ensure that supervisory work is well-founded and compliant. Focusing on supervision timeliness, it promptly updated the Senior Management on comments/suggestions and important information in the form of supervisory advice, research summary or information briefing.

In 2021, all supervisors diligently performed their duties and got various types of work done properly, which further enhanced the role and influence of the Board of Supervisors and boosted the efficiency of supervisory work. Looking ahead to 2022, the Board of Supervisors will thoroughly learn the instructions delivered at the Sixth Plenary Session of the 19th CPC Central Committee and the Central Economic Work Conference, vigorously implement the decisions and plans made by the CPC Central Committee, Shanghai Municipal Party Committee and Shanghai Municipal People’s Government, and strictly follow the requirements put forth by financial regulators and competent authorities. It will perform its duties diligently, focus on the supervision of duty performance, financial affairs, risk management, and internal control & compliance, pool together internal supervision departments and external agencies to generate a supervisory synergy, continuously optimize the supervision mechanisms to better play the role of all supervisors, and improve supervision efficiency to actively support and promote the high-quality development of the Bank.

Be practical and innovative

In 2022, when the Party will hold its 20th National Congress and SPD Bank will celebrate its 30th anniversary, the Board of Supervisors will keep exploring new ways to modernize its corporate governance mechanisms, and strive to promote the modernization of the Bank's governance system and capacity!

Wang Jianping, Chairman of the Board of Supervisors

Section I Definitions

In this Report, unless the context otherwise requires, the following terms shall have the meaning set out below:

SPD Bank, the Company, the Parent Company, the Bank	:	Shanghai Pudong Development Bank Co., Ltd.
The Group	:	Shanghai Pudong Development Bank Co., Ltd. and its affiliated companies
Shanghai Trust	:	Shanghai International Trust Co., Ltd.
SPDB Financial Leasing	:	SPDB Financial Leasing Co., Ltd.
SPDB Wealth Management	:	SPDB Wealth Management Co., Ltd.
AXA SPDB Investment Managers	:	AXA SPDB Investment Managers Co., Ltd.
SPD Silicon Valley Bank	:	SPD Silicon Valley Bank Co., Ltd.
SPD rural banks	:	The 28 rural banks established by Shanghai Pudong Development Bank Co., Ltd.
SPDB International	:	SPDB International Holdings Limited
Central bank/PBC	:	People's Bank of China
CBIRC	:	China Banking and Insurance Regulatory Commission
CSRC	:	China Securities Regulatory Commission
End of the reporting period	:	31 December 2021
Reporting period	:	From 1 January 2021 to 31 December 2021
Same period of last year	:	From 1 January 2020 to 31 December 2020
End of last year	:	31 December 2020
Comparing periods	:	From 1 January 2020 to 31 December 2020 From 1 January 2019 to 31 December 2019

Section II Corporate Profile and Main Financial Indicators

2.1 Company Information

Chinese name	上海浦东发展银行股份有限公司
Chinese name in short	上海浦东发展银行、浦发银行
English name	SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.
English name in short	SPD BANK
Legal Representative	Zheng Yang
Initial registration date	19 October 1992
Registered & office address	12, Zhongshan Road (E-1), Shanghai, PRC
Former registered address	500, Pudong South Road, Shanghai, PRC (19 October 1992 - 25 November 2011)
Unified Social Credit Code	9131000013221158XC
Financial Institution License Serial Number	B0015H131000001
Website	http://www.spdb.com.cn
Email	bdo@spdb.com.cn
Service hotline	95528

2.2 Contact Information

	Secretary to the Board of Directors	Listing Affairs Representative
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Address	Secretariat to the Board of Directors & Supervisors at 12, Zhongshan Road (E-1), Shanghai	
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Fax	021-63230807	021-63230807
Email	xw@spdb.com.cn	wur2@spdb.com.cn

2.3 Information Disclosure and Access Site

Media partners selected by the Bank for the disclosure of its annual report	“China Securities Daily”, “Shanghai Securities News”, “Securities Times”
Website of the stock exchange where the Bank discloses its annual report	http://www.sse.com.cn
Periodic reports prepared at	Secretariat to the Board of Directors & Supervisors

2.4 Stocks

Type	Place of listing	Short name	Stock code	Short name before change
Ordinary A-share	Shanghai Stock Exchange (SSE)	SPD Bank	600000	-
Preference share	Shanghai Stock Exchange (SSE)	SPDB P 1	360003	-
Preference share	Shanghai Stock Exchange (SSE)	SPDB P 2	360008	-
Convertible corporate bond	Shanghai Stock Exchange (SSE)	SPDB Convertible Bond	110059	-

2.5 Other Related Documents

Accounting firm engaged (financial statements prepared as per Accounting Standards for Business Enterprises)	Name	KPMG Huazhen LLP
	Office address	F/8, KPMG Tower, Oriental Plaza, No.1 East Chang’an Avenue, Dongcheng District, Beijing, China
	Names of signatory accountants	Shi Haiyun, Dou Youming
Accounting firm engaged (financial statements prepared as per International Financial Reporting Standards)	Name	KPMG Huazhen LLP
	Office address	F/8, KPMG Tower, Oriental Plaza, No.1 East Chang’an Avenue, Dongcheng District, Beijing, China
Sponsor institution	Name	CITIC Securities Co., Ltd.

performing continuous supervision duties during the reporting period	Office address	F/23 CSCES Tower, No.1568 Century Avenue, Pudong New Area, Shanghai
	Names of sponsor Representatives	Zhu Yu, Jiang Ying
	Period of continuous supervision	Until the convertible bonds are fully converted
	Name	Guotai Junan Securities
	Office address	F/36, No.669 Xinzha Road, Jing'an District, Shanghai
	Names of sponsor Representatives	Zhu Zhelei, Yu Weijun
	Period of continuous supervision	Until the convertible bonds are fully converted
Depository of ordinary shares		China Securities Depository and Clearing Corporation Limited, Shanghai Branch

2.6 Awards, Honors, International Rankings and Ratings

Rankings

The Banker	SPD Bank ranked 18th by tier-one capital among the "Top 1000 World Banks", which was released by the British magazine **The Banker** in June 2021. Among all the Chinese-funded banks on the list, the Bank ranked 8th.
Fortune	SPD Bank ranked 201st among the "Fortune Global 500", which was released by the US magazine Fortune in August 2021. Among all the Chinese-funded banks on the list, the Bank ranked 8th.
Forbes	SPD Bank ranked 68th among the "Forbes Global 2000", which was released by the US magazine Forbes in May 2021. Among all the Chinese-funded enterprises and banks on the list, the Bank ranked 18th and 9th, respectively.
China Enterprise Confederation	SPD Bank ranked 65th among the "2021 Top 500 Chinese Enterprises" and 36th among the "2021 Top 500 Chinese Service Enterprises"
Shanghai Enterprise Confederation	SPD Bank ranked 7th among the "2021 Top 100 Shanghai Enterprises" and 5th among the "2021 Top 100 Shanghai Service Enterprises"

Brand value and credit ratings

Brand value	SPD Bank ranked 19th among the "Top 500 Banking Brands", which was released by the British magazine **The Banker** in February 2022. Among all the Chinese-funded banks on the list, the Bank ranked 8th. Its brand value was worth USD14,313 million.

Rating agency	Credit rating	Rating outlook
Moody's	Long-term deposit rating: Baa2 Short-term deposit rating: Prime-2	Stable
Standard & Poor's	Long-term issuer credit rating: BBB Short-term issuer credit rating: A-2	Stable
Fitch Ratings	Long-term issuer default rating: BBB	Stable

Honors and awards

1. Comprehensive financial service	
People's Bank of China	Financial Technology Development Award of 2020
	Model Data Contribution Unit of 2021 on the Financial Network Security Situation Awareness Platform
Ministry of Public Security	Excellent Performer in 2021 Cybersecurity Drill
Shanghai Municipal People's Government	Second Prize of Shanghai Financial Innovation Achievement Awards in 2020
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (Shanghai SASAC)	Award of Excellent Innovation (First Prize) for Digital Finance at the Digital Transformation Innovation Competition among State-owned Assets and State-owned Enterprises in Shanghai
China Foreign Exchange Trade System (CFETS)	Award for Marketing Power and Award for Marketing Innovation in the Year

Shanghai Commercial Paper Exchange Corporation Ltd.	Model Scientific & Technological Unit and Model Dealer
China Central Depository & Clearing Co., Ltd. (CCDC)	Bond Market Leader of the Year, Top 100 Settlers, Model Asset Custodian, Model Contributor to International Business, and Model Contributor to ESG Business
Shanghai Clearing House	Model Settlement Member, Model Clearing Member, Model Issuer, and Model Participant in Risk Management Value-added Business
Shanghai Futures Exchange	Gold Medal for Market Making Business, and Special Contributor to Market Making Business
Shanghai Stock Exchange	Model Underwriter of Financial Bonds
Shenzhen Stock Exchange (SZSE)	Model Cross-market Bond Trader in Bond Market, Active Contributor to Optimization of Bond Trading Mechanism, and Model Underwriter of Interest Rate Bonds
Wealth Plus	Best Private Bank in China (Private Banking Department)
The Asian Banker	Award of the Best Frictionless Sales Management Program in China for 2021 (Credit Card Center)
	Best Supervision and Security Technology Award in China (for the Practice of Enabling Commercial Banks to Realize Dynamic Security Control of Sensitive Information with AI Technology)
Asian Private Banker	Best Private Bank in China of the Year 2021: High Net Worth Customers
The Chinese Banker	Top 10 Financial Market Innovations of the China Financial Innovation Award in 2021
	Top 10 Investment Banking Innovations, Top 10 Transaction Banking Innovations, Top 10 Inclusive Finance Service Innovations, Top 10 Retail Banking Innovations, and Top 10 Financial Market Innovations of the China Financial Innovation Awards in 2021
Payment & Clearing Association of China and Beijing	Enterprise Standard Forerunner of 2021 (SPD Bank Application Interface Management Norms)

FinTech Industry Alliance	
China Quality Management Association for Electronics Industry	Excellent Practice Case of User Experience in 2021
Zhejiang Association of Enterprises	10th among the “2021 Top 100 Yangtze River Delta-based Enterprises” and 7th among the “2021 Top 100 Yangtze River Delta-based Service Enterprises”
China.com.cn	Model FinTech Bank of the Year 2021 and Model Joint-stock Commercial Bank of the Year 2021
National Business Daily	Annual Wealth Management Prize in the 12th China Golden Tripod Awards
JRJ.com	Award of Excellence for Wealth Management
2021 Digital Banking & FinTech Innovation Summit	The “Fabei” product won the 2021 Consumer Credit Service Innovation Award
China Financial Certification Authority (CFCA)	Best Smart Service Award for Mobile Banking on the list of Chinese companies engaged in digital finance in 2021
China Business Top 100	Top 100 Enterprises and the 20-year Special Contribution Award of China’s Top 100 Enterprises
2. Corporate social responsibility	
China Central Television (CCTV)	Typical Cases of the Most Socially Responsible Enterprises at the Exhibition of Videos on CSR
investorchina.cn	Socially Responsible Enterprise of the Year

2.7 Major Accounting Data and Financial Indicators

In RMB millions	**2021**	2020	Increase/(decrease) compared with the same period of last year (%)	2019
Major accounting data				
Operating income	190,982	196,384	-2.75	190,688
Total profit	59,071	66,682	-11.41	69,817
Net profit attributable to the parent company's shareholders	53,003	58,325	-9.12	58,911
Net profit attributable to the parent company's shareholders deducting the non-recurring profit or loss	52,550	57,910	-9.26	57,554
Net cash flows from operating activities	-257,192	126,385	-303.50	-68,628
Main financial indicators				
Basic earnings per share (RMB)	1.62	1.88	-13.83	1.95
Diluted earnings per share (RMB)	1.50	1.73	-13.29	1.92
Basic earnings per share after deducting non-recurring profit or loss (RMB)	1.61	1.87	-13.90	1.90
Net cash flows from operating activities per share (RMB)	-8.76	4.31	-303.25	-2.34
Profitability indicators (%)				
Weighted ROE	8.75	10.81	Down 2.06 percentage points	12.29
Weighted ROE after deducting non-recurring profit or loss	8.67	10.73	Down 2.06 percentage points	12.00
Returns on average total assets	0.67	0.79	Down 0.12 percentage point	0.90
Fully-diluted ROE	8.51	10.46	Down 1.95 percentage points	11.58
Fully-diluted ROE excl. non-recurring profit or loss	8.43	10.38	Down 1.95 percentage points	11.30

Net interest spread	1.77	1.97	Down 0.20 percentage point	2.27
Net interest margin	1.83	2.02	Down 0.19 percentage point	2.34
Cost-to-income ratio	26.17	23.78	Up 2.39 percentage points	22.58
Cash dividend ratio	25.26	25.50	Down 0.24 percentage point	30.80
Percentage in total operating income (%)				
Net interest income to operating income	71.19	70.57	Up 0.62 percentage point	75.79
Non-interest income to operating income	28.81	29.43	Down 0.62 percentage point	24.21
Net income of fee and commission to operating income	15.25	17.29	Down 2.04 percentage points	12.99

In RMB millions	**At the end of 2021**	At the end of 2020	Increase/(decrease) compared with the same period of last year (%)	At the end of 2019
Scale indicators				
Total assets	8,136,757	7,950,218	2.35	7,005,929
Incl.: Total loans	4,786,040	4,533,973	5.56	4,025,901
Total liabilities	7,458,539	7,304,401	2.11	6,444,878
Incl.: Total deposits	4,403,056	4,076,484	8.01	3,627,853
Net assets attributable to the parent company's shareholders	670,007	638,197	4.98	553,861
Net assets attributable to the parent company's ordinary shareholders	560,098	528,288	6.02	493,945
Net assets per share attributable to the ordinary shareholders of the parent company (RMB)	19.08	18.00	6.00	16.83
Asset quality indicators (%)				

NPL ratio	1.61	1.73	Down 0.12 percentage point	2.03
Allowance to NPL	143.96	152.77	Down 8.81 percentage points	134.94
Allowance to total loans	2.31	2.64	Down 0.33 percentage point	2.74

Notes:

(1) Earnings per share, diluted earnings per share, and weighted ROE are calculated according to the Rules for Information Disclosure by Companies Offering Securities to the Public No.9 – Calculation and Disclosure of ROE and Earnings Per Share (Revised in 2010):

Basic earnings per share = net profit attributable to ordinary shareholders of the parent company/weighted average number of ordinary shares outstanding.

Diluted earnings per share = (net profit attributable to ordinary shareholders of the parent company + effect of dilutive potential ordinary shares on net profit attributable to ordinary shareholders of the parent company)/(weighted average number of ordinary shares outstanding + weighted average number of dilutive potential ordinary shares converted into ordinary shares).

Weighted ROE = net profit attributable to ordinary shareholders of the parent company/weighted average net assets attributable to ordinary shareholders of the parent company.

(2) The Bank distributed dividends of RMB721.5 million and RMB837 million (tax inclusive) of SPDB P2 and SPDB P1, respectively in March and December 2021. The Bank paid interest of RMB1,419 million on SPDB 2019 Perpetual Bonds in July 2021 and interest of RMB2,375 million on SPDB 2020 Perpetual Bonds in November 2021, respectively. When calculating the earnings per share and weighted ROE disclosed in the Report, the Bank considered the impact of the distribution of the preference stock dividends and the payment of interest on perpetual bonds.

(3) Non-recurring profit or loss is calculated based on the definition outlined in CSRS Announcement [2008] No.43 – Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss.

(4) Net assets per share attributable to ordinary shareholders of the parent company = (net assets attributable to shareholders of the parent company - preference shares of other equity instruments and perpetual bonds)/total number of ordinary shares at the end of the period.

(5) Returns on average total assets = net profit/asset average balance, asset average balance = (total assets at the beginning of the period+ total assets at the end of the period)/2.

(6) Fully-diluted ROE = net profit attributable to the parent company's ordinary shareholders during the reporting period/net assets attributable to the parent company's ordinary shareholders as at the end of the reporting period.

(7) Fully-diluted ROE after deducting non-recurring profit or loss = net profit attributable to

the parent company's ordinary shareholders during the reporting period after deducting non-operating gains and losses/net assets attributable to the parent company's ordinary shareholders as at the end of the reporting period.

(8) Net interest spread = average yield of total interest-earning assets - average cost of total interest-bearing liabilities.

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

(10) Cost-to-income ratio = general and administrative expenses/operating income.

(11) Cash dividend ratio = cash dividend amount/net profit attributable to the parent company's ordinary shareholders in the consolidated statements in the bonus year. The ratio is calculated based on 29,352,168,006, the total ordinary shares of the Bank as at the end of the reporting period.

(12) Total loans = corporate loans + personal loans + principal balance of discounted bills; total deposits = corporate deposits + personal deposits + principal balance of other deposits.

(13) According to regulatory statistical requirements and industry practices, finance lease receivable is recognized under "loans and advances" from "other assets". According to relevant regulatory requirements of the Ministry of Finance (MOF), the State-owned Assets Supervision and Administration Commission (SASAC), the CBIRC and the CSRC, installment income from credit card is recognized under "interest income" from "fee and commission income". Due to the changes in the presentation criteria for the above items in financial statements, the comparative data of the same period were restated in line with the current criteria.

(14) The Group implemented the Accounting Standards for Business Enterprises No. 21 - Leases (C.K. [2018] No.35) on 1 January 2021. In accordance with the convergence provisions of the new leasing standard, the Group adjusted the amount of retained earnings and other related items in the financial statements at the beginning of the year in which the new leasing standard was implemented for the first time based on the cumulative effect of such implementation, without adjusting the information of the comparable periods.

2.8 Differences between Accounting Data Prepared as per ASBE and IFRS

There is no difference in the net profit, total assets and total liabilities of the Group for the reporting period between its domestic financial report prepared as per the Accounting Standards for Business Enterprises (ASBE) and its international financial report prepared pursuant to the International Financial Reporting Standards (IFRS).

2.9 Key Financial Data per Quarter of the Group in 2021

In RMB millions

Item	1st quarter (Jan. - Mar.)	2nd quarter (Apr. - Jun.)	3rd quarter (Jul. - Sep.)	4th quarter (Oct. - Dec.)
Operating income	49,522	47,843	46,119	47,498
Total profit	22,307	12,415	12,626	11,723
Net profit attributable to the parent company's shareholders	18,697	11,141	11,698	11,467
Net profit attributable to the parent company's shareholders deducting the non-recurring profit or loss	18,628	11,101	11,535	11,286
Net cash flows from operating activities	-129,705	-83,157	43,952	-88,282

2.10 Non-recurring Profit or Loss and Amount

In RMB millions

Item	**2021**	2020	2019
Profit or loss from disposal of non-current assets	26	-8	1,470
Government subsidies	856	720	485
Other net non-operating expense	-134	-54	-47
Income tax effect of non-recurring profit or loss	-217	-179	-488
Total	531	479	1,420
Incl.: Non-recurring profit or loss attributable to the parent company's ordinary shareholders	453	415	1,357
Non-recurring profit or loss attributable to minority shareholders	78	64	63

Section III Management Discussion and Analysis

3.1 Overall Business Operation of the Bank

During the reporting period, the Bank thoroughly implemented the decisions and plans made by the CPC Central Committee and the State Council as well as regulatory requirements in the face of the complex and severe situation, focused on the strategic development plan for the 14th Five-year Plan period, aimed at "growing into a globally competitive, top-notch joint-stock commercial bank", and served major national strategies and the development of the real economy. It took the initiative to optimize the business structure, firmly promoted the transformation towards an asset-light bank, a green bank, and a panoramic bank, and stepped up efforts in risk reduction. As a result, its high-quality development came on a more solid footing and positive progress was made in various areas.

Assets and liabilities grew in scale steadily

As at the end of the reporting period, the total assets of the Group posted RMB8,136,757 million, representing an increase of RMB186,539 million or 2.35% over the end of previous year. Of these, the total loans in local and foreign currencies (including discounted bills) stood at RMB4,786,040 million, representing an increase of RMB252,067 million or 5.56% over the end of previous year. The Group's total liabilities amounted to RMB7,458,539 million, an increase of RMB154,138 or 2.11% over the end of last year, of which the total deposits in local and foreign currencies stood at RMB4,403,056 million, an increase of RMB326,572 million or 8.01% over the end of previous year.

Operating revenue dropped slightly without compromising its stability

During the reporting period, the Group intensified its efforts in transformation and development, business structuring, and risk reduction. It achieved an operating income of RMB190,982 million, down RMB5,402 million or 2.75% year on year; the total profit of RMB59,071 million, down RMB7,611 million or 11.41% year on year; and the net after-tax profit attributable to the parent company's shareholders of RMB53,003 million, down RMB5,322 million or 9.12% year on year. Its average return on assets (ROA) was 0.67%; weighted average return on equity (ROE) was 8.75%, and cost-to-income ratio was 26.17%.

Business structure improved amid stability

During the reporting period, the Group continued to increase its support for key areas such as economy, society, people's livelihood and consumption, optimized its asset structure steadily, and got the quality and efficiency in serving the real economy further assured. Its three major business segments saw their contribution to operating income in a reasonable structure, of which retail business continued to stay ahead. The total quantity, cost and structure of liabilities all showed a positive trend, with total deposits accounting for nearly 60% of total liabilities, up 3.22 percentage points from the end of the previous year, which attested to the greater stability of liability sources. Total corporate loans (excluding discounted bills) stood at RMB2,407,728 million, an increase of RMB101,941 million or 4.42% from the end of the previous year; and total retail loans reached RMB1,890,620 million, an increase of RMB98,342 million or 5.49% from the end of the previous year.

Asset quality enhanced steadily

During the reporting period, the Group curbed new risks and mitigated old ones, and continued to dispose of existing non-performing assets (NPA) with intensified efforts, with remarkable results achieved in risk reduction. As at the end of the reporting period, the Group's non-performing loan balance reported RMB76,829 million, down RMB 1,632 million from the end of the previous year; its NPL ratio stood at 1.61%, down 0.12 percentage point from the end of last year; its provision coverage ratio was 143.96%, down 8.81 percentage points from the end of a year earlier; and its allowance to total loans ratio registered 2.31%.

Steady progress was made towards group-wide and international development

During the reporting period, the Group stepped up its coordinated efforts, and promoted its subsidiaries to act on regulatory requirements and maintain sound growth. The Bank fully capitalized on its cross-border business platforms to make steady headway towards international operation. During the reporting period, the major companies invested by the Group achieved a combined revenue of RMB11,027 million and net profit of RMB3,831 million; and the international business platforms posted total assets of RMB369,303 million and realized a revenue of RMB4,097 million. The three overseas branches in Hong Kong, Singapore and London maintained stable operation and achieved good business results despite the impact of the COVID-19 pandemic. Hong Kong Branch became further influential in the local market; Singapore Branch continued offering commodities and other services unique to itself; and London Branch made great efforts to help the Bank operate across different time zones of Asia and Europe.

3.2 Analysis on Core Competitiveness

Exploiting the home-field advantages in the Yangtze River Delta to build a high-quality growth platform

Capitalizing on the locational advantages of Shanghai and the Yangtze River Delta and seizing the historical opportunities presented by national strategies, regional strategies, industrial transformation and upgrading, and key tasks of Shanghai, the Bank gave full play to its long-established advantages in the field of corporate business, increased resources input in the two places, and sought to further consolidate its competitive edges in the integrated development of the Yangtze River Delta region. At the same time, it actively supported the development of Shanghai in the new era with high-quality financial innovations, and made comprehensive improvements on the financial services offered to help Pudong build itself into a leading zone of socialist modernization. Additionally, it extensively promoted its two brand images as "a bank based in the Yangtze River Delta" and "a bank that goes global from the Yangtze River Delta". As at the end of the reporting period, the Bank's outstanding loans in the Yangtze River Delta region totaled RMB1.49 trillion and outstanding deposits reached RMB1.88 trillion. The Bank ranked first among joint-stock banks by outstanding deposits and loans.

The Bank made good use of the Yangtze River Delta integration toolkit, which consisted of such products as the "Yangtze River Delta Loan", "Yangtze River Delta Bond", "Yangtze River Delta Chain" and "Yangtze River Delta Purchase", to provide more efficient and convenient financial services for enterprises that might need intra-city credit extension, digital transformation, supply chain upgrading, and cross-regional M&As. While actively assisting in the industrial transformation and upgrading drive in the Yangtze River Delta region, it closely followed the main task of supply-side structural reform, and continued to increase its support for emerging industries such as integrated circuits, biomedicine, aerospace and high-end equipment, as well as inclusive micro and small businesses, scientific and technological innovation, and green finance, among others.

The Bank played a leading and influential role in free trade finance. It accelerated the innovative development of free trade finance, seized the opportunities presented by free trade zones in their multi-regional promotion, in-depth development as well as the construction of the Hainan Free Trade Port, and applied its successful experience in the Yangtze River Delta region to other places in China, with a view to further serving the major regional development strategies of the State. The Bank continued to lead other joint-stock banks of the country measured by core indicators of FT business. As at the end of the reporting period, the Bank saw its FT deposits and loans exceeding RMB90 billion and RMB50 billion, respectively.

Making headway towards asset-light operation to better serve the real economy

During the reporting period, the Bank pushed forward the asset-light transformation of its corporate, retail and financial market business lines. It focused on enabling many asset-light businesses such as investment banking, wealth management, consumer finance and asset custody to grow stronger, and created featured businesses and products to achieve less capital consumption, more intensive operation, more efficient development, and more considerable rewards.

Investment banking business: During the reporting period, the Bank fully capitalized on its major advantages in businesses and licenses, focused on market opportunities such as the comeback of China concept stocks and state-owned enterprise reform, and served the real economy and national strategies. As at the end of the reporting period, the Bank issued RMB60,006 million in new M&A loans, an increase of 23.38% year on year, and lead underwrote RMB532.6 billion in debt financing instruments. The Bank ranked top in the market in terms of the underwriting amount.

Wealth management: The Bank established a wealth management ecological chain that integrated retail wealth, private banking, asset management, investment banking, and custodian service, among others, to jointly promote the development of grand wealth management. To advance group-wide collaborative operation, the Bank saw a significant increase in funds sold on an agency basis, maintaining its dominant position in the industry. Meanwhile, it intensified cooperation with leading insurers to further sharpen its competitive edge. The Bank built a digitalized retail system (version 2.0) that integrated products, channels, customer experience, marketing, risk control, and decision-making, thus realizing five intelligent functions, including intelligent customer insight, intelligent investment research, intelligent interaction, intelligent planning, and intelligent risk control. The Mobile Banking app (version 11.0) was launched. Centering on four core scenarios of wealth management & investment, account management, loan & financing and life services, the new app reshaped the five channels of mobile banking, upgraded the services available in the caring version, brought the artificial intelligence-based “digital wealth manager”, and innovated the pure online intelligent wealth management services, with a view to rendering customers with intelligent, smooth, convenient and considerate mobile financial services. As at the end of the reporting period, the number of personal customers (including credit card holders) exceeded 138 million, the balance of AUM from personal customers (including market value) reached RMB3.87 trillion, the balance of wealth management products held by personal customers registered RMB1,034.4 billion, fund holdings amounted to RMB186 billion, and insurance assets crossed the RMB100 billion mark. During the reporting period, the income from wealth management business of the Bank hit RMB6,757 million, private banking customers above the designated scale (monthly average daily financial assets of RMB8 million or above) numbered 27,000, and AUM from private banking customers went beyond RMB510 billion.

Consumer finance: The Bank integrated and optimized the functions of the “SPDB Small Loan” product through the mobile terminal to serve different types of customers via the unified entrance. Thanks to the enhanced platform-based operation, credit card business achieved steady growth of both transaction volume and net new loans. As at the end of the reporting period, the Bank had 48,434,500 credit cards in circulation and posted a loan balance of RMB416,142 million. During the reporting period, the Bank registered credit card transactions worth RMB2,215,716 million, which generated a total income of RMB38,079 million.

Financial market: The Bank actively implemented the requirements for serving the real economy with financial services, adhered to the “open, integrated, and considerate” service tenet, and pushed forward the brand strategy of “SPDB Risk Hedging” in depth. Relying on its leading advantages in integrated investment and research, proximity to the market, and professional operation, it released the Market Outlook Bluebook of SPDB Risk Hedging for four years straight, won 23,000 corporate customers who used the SPDB Risk Hedging service, and carried out foreign exchange business worth over RMB59 billion, an increase of 18% year on year. The Bank continued to enhance its trading and product development capabilities in various market segments such as bonds, currencies, foreign exchange, precious metals and commodities. It enlarged the empowering role of technology through system reconstruction and optimized customer experience with platform integration to accelerate the transition from product output to strategy output, continuously consolidate its advantages in product quotation, system research & development, and customer service, and drive the significant growth of the key fixed income, currencies & commodities (FICC) businesses in trading volume and customer base. As at the end of the reporting period, the treasury assets under the Bank's active operation totaled RMB2.2 trillion, wealth management products posted a balance of RMB1,089.6 billion, and wealth management products in compliance with the new asset management regulations reached RMB961.8 billion, representing an increase of RMB308.3 billion from the beginning of the year and accounting for 88% of the total. During the reporting period, financial market business recorded a net operating income of RMB37.84 billion.

Asset custody: The Bank steadily built a leading brand of asset custodian service, maintained its advantages in innovation, improved business synergy, and promoted steady growth in business performance and comprehensive benefits, all of which aimed to build a high-quality and sustainable custodian business model. As at the end of the reporting period, the Bank's assets under custody totaled RMB14.47 trillion, which brought a custodian fee income of RMB3,103 million.

Promoting the carbon peaking and carbon neutrality transition to serve the industrial transformation and upgrading drive and grow into a green bank

As China is moving towards the carbon peaking and carbon neutrality goals, green development has become an important part of the high-quality development of the economy and society. In this context, the Bank has established a business tenet of building a green bank and built a green corporate culture. It incorporated the strategy for developing green finance into its strategic development plan for the 14th Five-year Plan period, gradually built an ESG organizational framework aligned with international standards, and defined its roadmap for practicing the carbon peaking and carbon neutrality strategy. With these steps, it could grow into a green bank in a systematic, digitalized and visualized manner.

The Bank continued to roll out innovative green finance products and business modes, effectively integrated traditional credit products with financial instruments such as M&As, bonds, equity, syndicated loans, and matchmaking service, and went all out to build a green finance supermarket that "could cross the interbank market, capital market, and carbon finance element market". It forged a green product lineup that consisted of customized products and standard products, continuously consolidated its competitive edges in the field of green finance, and made the "**SPDB Green Innovation**" brand grow stronger. As at the end of the reporting period, the Bank's green credit posted a balance of RMB311,335 million, ranking among the top in the industry, of which RMB121,858 million went to the Yangtze River Delta region. Through green credit, the Bank helped reduce carbon dioxide emissions of over 10 million tons, equivalent to standard coal of over 22.76 million tons. With the support of carbon emission reduction tools, it issued carbon emission reduction loans of RMB14,708 million to 84 projects, ranking first among all joint-stock banks in China, which contributed to an annual reduction of 3,338,100 tons of carbon dioxide equivalent. In the year, the Bank underwrote RMB15,381 million of green debt financing instruments and sustainability-linked bonds, of which the first type amounted to RMB10,631 million. The Bank underwrote the first carbon-neutral bond certified both at home and abroad with an issue amount of RMB840 million across the Chinese market and the first sustainability-linked bond in Shanghai with an issue amount of RMB5 billion.

The financial market business actively adapted to the trend of green and low-carbon development, and made continuous strides in business innovation. It improved the ESG investment framework, increased investments in green bonds, green asset-backed securities, and green notes. Its investment targets included one of the first carbon-neutral bonds, one of the first sustainability-linked bonds, the first green sovereign panda bonds, and the first dual-themed corporate bonds (Yangtze River Delta integration and green). The Bank actively underwrote green financial bonds, and won the “Green and Low-Carbon Pioneer Award” from China Development Bank. It worked hard to research and develop green structured products to open up new paths for individual investors to invest in green assets. The “SPDB-Polaris ESG Index”, a multi-asset quantitative index released by the Bank as the first of its kind in China, which was certified by S&P and could cover ESG assets at home and abroad, represented an innovative exploration made by the Bank in the fields of green investment and green wealth management.

In terms of technological finance, the Bank focused on innovation in “hard technology” and established its brand by helping enterprises get listed on the STAR Market. Technological finance continued to expand the ecosphere by launching comprehensive financial services that are full-life-cycle, whole-process, cross-market and intelligent. As at the end of the reporting period, the Bank won 6,847 sci-tech enterprises as its new customers, with loans extended to them totaling RMB64,205 million. Over 70% of the companies listed on the STAR Market were customers of the Bank.

Promoting digital transformation to empower user development and grow into a panoramic bank

As a pioneer in the industry to put forward the concept of “open banking”, the Bank firmly pushed forward digital transformation, continuously extended the boundaries of the digital innovation ecosystem, used digital technology to create more business value, empowered the digitalized development of industries, served the transformation and upgrading of the real economy, and brought the construction of a panoramic bank which would “face all users, run through the entire time domain, provide full services, and realize complete intelligent connection” into a new stage.

The Bank strengthened business empowerment, expanded ecological scenarios, and achieved actual effects in using data. It pushed forward the construction of a data-driven intelligent operation system for the financial market in all aspects and at multiple levels, by starting from such areas as the specialized operation of industry-specific customer groups, the systematic operation of the double cycle value system of corporate customers, and the digital risk control of small and micro enterprises. By seizing the stronghold in industrial Internet, the Bank launched 33 industry-specific digital finance platforms with strategic customers of the Head Office at the core and 91 online supply chains, which efficiently connected 710 customers, both upstream and downstream, and supplied over RMB80 billion of revolving credit funds. Meanwhile, the Bank went all out to expand the API connection program, by creating 245 new API components and adding more than 22,000 new up-to-standard linked customers. In this way, it contributed to the growth of businesses such as settlement deposits, valuable customers, agency issuance and AUM.

To optimize customer experience through online channels, the Bank delivered the ultimate interactive experience in four key areas of "customers, liabilities, channels and assets". It moved faster to expand the coverage of diverse scenarios, and made platforms well-positioned to do better in acquiring more active customers for longer periods of time and in promoting the efficient conversion of platform users to customers. By building platforms such as SPD Life Service, SPD Payroll and Cloud Treasury, the Bank provided personal customers with daily life services and corporate and government customers with an online digital toolbox. In the year, the Bank's mobile banking transactions crossed the RMB100 billion mark for the first time; its MAUs of retail mobile banking increased by 42% from the beginning of the year to 17.58 million; and the registered users of the SPD Life Service platform exceeded 20 million, posting a transaction volume of over RMB450 million.

The Bank made inroads into the building of the "smartest wealth management bank" and facilitated the efficient conversion from MAU to AUM. Digital wealth managers were launched to activate 49 million customers in total. As to the intensified management of data assets, the Bank created 132 service-oriented data assets in the combination of "data + algorithm + scenario", which helped increase revenue by RMB5.2 billion in the year.

3.3 IT Input

	2021	2020	Increase (%)
IT input (In RMB millions)	6,706.10	5,715.09	17.34
The number of persons engaged in technological development at the parent bank	6,428	5,859	9.71

3.4 Analysis of Income Statement

During the reporting period, the Group managed to develop various businesses. Its operating income hit RMB190,982 million, down RMB5,402 million or 2.75% year on year, and the net profit attributable to the parent company's shareholders posted RMB53,003 million, a decrease of 9.12% year on year.

In RMB millions

Item	**The reporting period**	Same period of last year	Change in amount

Operating income	190,982	196,384	-5,402
–Net interest income	135,958	138,581	-2,623
–Net fee and commission income	29,134	33,946	-4,812
–Other net income	25,890	23,857	2,033
Operating expenses	131,777	129,648	2,129
–Tax and surcharges	2,004	2,117	-113
–General and administrative expenses	49,978	46,702	3,276
–Impairment losses on credit assets and impairment losses on other assets	78,344	79,553	-1,209
–Other operating costs	1,451	1,276	175
Net non-operating income and expenses	-134	-54	-80
Total profit	59,071	66,682	-7,611
Income tax expense	5,305	7,689	-2,384
Net profit	53,766	58,993	-5,227
Net profit attributable to the parent company's shareholders	53,003	58,325	-5,322
Minority interest income	763	668	95

3.4.1 Operating income

The following table sets out the composition of the Group's operating income and the proportions of each part in the recent three years.

Item	**2021 (%)**	2020 (%)	2019 (%)
Net interest income	71.19	70.57	75.79
Net fee and commission income	15.25	17.29	12.99
Other net income	13.56	12.14	11.22
Total	100.00	100.00	100.00

Note: According to relevant regulatory requirements of the MOF, the SASAC, the CBIRC and the CSRC, installment income from credit card is recognized under “interest income” from “fee and commission income”. Due to the changes in the presentation criteria for the above items in financial statements, the comparative data of the same period were restated in line with the current criteria.

During the reporting period, the Group’s total business income was RMB366,430 million, representing a year-on-year increase of RMB3,331 million or 0.92%.

The following table sets out the changes in the total business income.

In RMB millions

Item	**Amount during the current period**	Percentage in total business income (%)	Increase/decrease over the same period of previous year (%)
Loan interest income	218,546	59.64	1.18
Interest income on investment	64,623	17.64	3.55
Fee and commission income	39,847	10.87	-9.96
Interest income on due from and placements with banks and other financial institutions	11,790	3.22	9.96
Interest income from balance with central bank	5,734	1.56	-2.33
Other income	25,890	7.07	8.52
Total	366,430	100.00	0.92

The following table sets out the geographic distribution of the Group's operating income.

In RMB millions

Region	**Operating income**	Increase/decrease over the same period of previous year (%)	**Operating profit**	Increase/decrease over the same period of previous year (%)
Head Office	78,730	-8.86	30,751	-15.23
Yangtze River Delta Region	40,095	5.49	22,658	1.17
Pearl River Delta and West Side of Taiwan Strait	13,883	9.01	6,884	-20.12
Bohai Rim	15,538	-0.23	5,894	-13.64
Central China	15,778	1.32	8,014	206.23

Western China	9,745	0.22	-19,846	Negative in the same period of last year
North-eastern China	4,016	-17.33	-1,601	-204.71
Overseas institutions and subsidiaries	13,197	-2.42	6,451	5.82
Total	190,982	-2.75	59,205	-11.28

Notes: For the purpose of the Report, the regions and divisions of the Group are defined as follows:

(1) Head Office: Headquarters (Head Office and institutions directly under it);

(2) Yangtze River Delta: Branches in Shanghai, Jiangsu, Zhejiang and Anhui;

(3) Pearl River Delta and West Side of Taiwan Straits: Branches in Guangdong and Fujian;

(4) Bohai Rim: Branches in Beijing, Tianjin, Hebei and Shandong;

(5) Central China: Branches in Shanxi, Henan, Hubei, Hunan, Jiangxi and Hainan;

(6) Western China: Branches in Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet;

(7) North-eastern China: Branches in Liaoning, Jilin and Heilongjiang;

(8) Overseas institutions and subsidiaries: Overseas branches and domestic and overseas affiliates.

3.4.2 Net interest income

During the reporting period, the Group incurred a net interest income of RMB135,958 million, a decrease of RMB2,623 million or 1.89% year on year.

The following table sets forth the interest income/expenses as well as average yield and costs of the assets and liabilities of the Group during the reporting period.

In RMB millions

	The reporting period			Same period of last year		
Interest-earning assets	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Loans and advances	4,661,142	218,546	4.69	4,239,783	215,987	5.09
Investments	1,781,070	64,623	3.63	1,690,594	62,405	3.69
Balance with	390,163	5,734	1.47	416,564	5,871	1.41

central bank						
Due from and placements with banks and other financial institutions	582,308	11,790	2.02	512,825	10,722	2.09
Total	7,414,683	300,693	4.06	6,859,766	294,985	4.30

In RMB millions

	The reporting period			Same period of last year		
Interest-bearing liabilities	**Average balance**	**Interest expense**	**Average cost ratio (%)**	Average balance	Interest expense	Average cost ratio (%)
Deposits from customers	4,216,453	84,867	2.01	3,933,776	82,713	2.10
Due to and placements from banks and other financial institutions	1,488,962	33,704	2.26	1,479,740	32,821	2.22
Debt securities issued	1,246,472	38,664	3.10	1,040,480	32,861	3.16
Due to central bank	250,784	7,500	2.99	248,003	8,009	3.23
Total	7,202,671	164,735	2.29	6,701,999	156,404	2.33

3.4.2.1 Interest income

During the reporting period, the Group generated interest income of RMB300,693 million, up RMB5,708 million or 1.94% year on year.

Interest income from loans and advances

In RMB millions

	The reporting period			Same period of last year		
	Average balance	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	2,386,881	91,588	3.84	2,170,863	92,637	4.27
Retail loans	1,829,319	112,530	6.15	1,715,425	113,497	6.62

Discounted bills	444,942	14,428	3.24	353,495	9,853	2.79

Note: Of these, the average yield of general short-term loans and medium and long-term loans was 5.39% and 4.47%, respectively.

Interest income on investment

During the reporting period, the Group's interest income on investment stood at RMB64,623 million, representing a year-on-year increase of 3.55%. The average yield on investment was 3.63%, representing a decrease of 0.06 percentage point over the prior year.

Interest income on due from and placements with banks and other financial institutions

During the reporting period, the Group generated the interest income on due from and placements with banks and other financial institutions totaling RMB11,790 million, up 9.96% over the prior year; and it saw the average yield from such business decreasing by 0.07 percentage point over last year to 2.02%.

3.4.2.2 Interest expense

During the reporting period, the Group's interest expense was RMB164,735 million, representing a year-on-year increase of RMB8,331 million or 5.33%. The rise was mainly attributed to the growing interest expense on debt securities issued.

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers stood at RMB84,867 million, representing a year-on-year increase of 2.60%. The average cost ratio reported 2.01%, representing a decrease of 0.09 percentage point over the prior year.

The following table sets forth the average balance, interest expense and average cost ratio of corporate deposits and retail deposits at the Group in 2021 and 2020.

In RMB millions

	The reporting period			Same period of last year		
	Average balance	**Interest expense**	**Average cost ratio (%)**	Average balance	Interest expense	Average cost ratio (%)
Corporate customers						
Current deposits	1,654,730	20,234	1.22	1,421,256	15,500	1.09
Time deposits	1,580,304	41,014	2.60	1,626,609	45,537	2.80
Retail customers						

Current deposits	284,660	884	0.31	256,976	834	0.32
Time deposits	696,710	22,735	3.26	628,927	20,842	3.31

Note: In the current period, margin deposits were split into current and time deposits from corporate customers as well as current and time deposits from retail customers. The figures over the same period of the previous year were adjusted in the same way.

Interest expenses on due to and placements from banks and other financial institutions

During the reporting period, the Group's interest expenses on due to and placements from banks and other financial institutions totaled RMB33,704 million, an increase of 2.69% over the previous year.

Interest expense on debt securities issued

During the reporting period, the Group recorded interest expenses of RMB38,664 million on debt securities in issue, an increase of 17.66% over the previous year.

3.4.3 Net non-interest income

During the reporting period, the Group racked up the net non-interest income in RMB55,024 million, down 4.81% year on year. Specifically, net fee and commission income fell by 14.18% to RMB29,134 million, and other non-interest income went up by 8.52% to RMB25,890 million.

In RMB millions

	The reporting period		Same period of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Net fee and commission income	29,134	52.95	33,946	58.73
Incl.: Fee and commission income	39,847	72.42	44,257	76.57
Fee and commission expenses	-10,713	-19.47	-10,311	-17.84
Profit or loss on investments	17,297	31.44	18,980	32.84
Profit or loss on changes in fair value	4,504	8.19	2,220	3.84
Exchange profit or	813	1.48	-215	-0.37

loss				
Other business income	2,394	4.35	2,160	3.74
Profit or loss on asset disposal	26	0.05	-8	-0.01
Other income	856	1.54	720	1.23
Total	55,024	100.00	57,803	100.00

3.4.3.1 Fee and commission income

During the reporting period, the Group incurred a fee and commission income of RMB39,847 million, a decrease of RMB4,410 million or 9.96% year on year.

In RMB millions

	The reporting period		Same period of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Fees from bank card business	12,863	32.28	14,528	32.83
Fees from custodian business and other fiduciary activities	13,657	34.27	15,415	34.83
Fees from investment banking activities	3,694	9.27	4,457	10.07
Agency commission	4,799	12.04	5,078	11.47
Credit commitment fees	2,300	5.77	2,223	5.02
Settlement and clearing fees	971	2.44	883	2.00
Others	1,563	3.93	1,673	3.78
Total	39,847	100.00	44,257	100.00

3.4.3.2 Profit or loss on investments

During the reporting period, the Group reaped an income on investments of RMB17,297 million, a year-on-year decrease of 8.87%.

In RMB millions

Item	The reporting period Amount	The reporting period Percentage (%)	Same period of last year Amount	Same period of last year Percentage (%)
Held-for-trading financial assets	11,020	63.71	15,320	80.72
Net profit from bill trading spread	1,593	9.21	1,623	8.55
Precious metals	1,675	9.68	1,640	8.63
Investments on long-term equity as calculated by equity method	223	1.29	146	0.77
Other equity instrument investments	52	0.30	45	0.24
Other creditor's rights investments	-379	-2.19	1,118	5.89
Derivatives	1,792	10.36	-1,686	-8.88
Creditor's rights investments	1,010	5.84	433	2.28
Others	311	1.80	341	1.80
Total	17,297	100.00	18,980	100.00

3.4.3.3 Profit or loss on changes in fair value

During the reporting period, the Group's profit or loss on changes in fair value was RMB4,504 million, representing a year-on-year increase of 102.88%.

In RMB millions

Item	The reporting period Amount	The reporting period Percentage (%)	Same period of last year Amount	Same period of last year Percentage (%)
Precious metals	74	1.64	-2,485	-111.94
Held-for-trading financial	3,938	87.43	-545	-24.55

assets				
Hedged bonds	-491	-10.90	267	12.03
Loans measured at fair value through profit or loss	94	2.09	101	4.55
Derivatives	997	22.14	4,697	211.58
Others	-108	-2.40	185	8.33
Total	4,504	100.00	2,220	100.00

3.4.4 General and administrative expenses

During the reporting period, the Group's general and administrative expenses were RMB49,978 million, representing a year-on-year increase of 7.01%. Cost-to-income ratio was 26.17%, representing a year-on-year increase of 2.39 percentage points.

In RMB millions

	The reporting period		Same period of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Employee expenses	28,400	56.83	27,509	58.90
Depreciation and amortization expenses	6,226	12.46	3,212	6.88
Fees on short-term leases and leases of low-value assets	421	0.84	N/A	N/A
Lease expenses	N/A	N/A	3,372	7.22
Others	14,931	29.87	12,609	27.00
Total	49,978	100.00	46,702	100.00

3.4.5 Impairment losses on credit assets and impairment losses on other assets

During the reporting period, the Group adhered to the principle of putting NPLs under stringent classified management, and worked hard to consolidate the foundation of asset quality. Its impairment losses on loans and advances totaled RMB64,542 million, down 13.97% over last year.

In RMB millions

	The reporting period		Same period of last year	
Item of impairment losses	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Loans and advances to customers	64,542	82.38	75,022	94.30
Other assets	13,802	17.62	4,531	5.70
Total	78,344	100.00	79,553	100.00

3.4.6 Income tax expense

During the reporting period, the Group incurred an income tax of RMB5,305 million, a decrease of RMB2,384 million or 31.01% over the previous year. The effective income tax rate was 8.98%, down 2.55 percentage points year on year.

In RMB millions

Item	**The reporting period**	Same period of last year
Profit before income tax	59,071	66,682
Income tax calculated at China's statutory tax rate	14,768	16,671
Effect of different tax rates applied by subsidiaries	-43	-126
Effect of expenses that are not deductible	377	497
Effect arising from income not subject to tax	-9,716	-9,486
Other income tax adjustments	-81	133
Income tax expense	5,305	7,689
Effective income tax rate (%)	8.98	11.53

3.5 Analysis of the Balance Sheet

3.5.1 Analysis of assets

As at the end of the reporting period, the total assets of the Group reached RMB8,136,757 million, representing an increase of RMB186,539 million or 2.35%, as compared with the end of previous year.

In RMB millions

	End of the reporting period		End of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total loans	4,786,040	58.82	4,533,973	57.03
Interest accrued on loans	15,257	0.19	15,576	0.20
Less: Allowance for impairment losses on loans at amortized cost	-110,343	-1.36	-119,321	-1.50
Financial investments	2,318,923	28.5	2,302,547	28.96
Long-term equity investment	2,819	0.03	2,401	0.03
Derivative financial assets	33,773	0.42	63,589	0.80
Cash and deposits with central bank	420,996	5.17	489,088	6.15
Due from and placements with banks and other financial institutions	433,898	5.33	422,453	5.31
Goodwill	6,981	0.09	6,981	0.09
Others	228,413	2.81	232,931	2.93
Total	8,136,757	100.00	7,950,218	100.00

Note: Overseas assets stood at RMB211,693 million, accounting for 2.60% of total assets.

3.5.1.1 Loans to customers

As at the end of the reporting period, the Group's total loans and advances to customers were RMB4,786,040 million, an increase of 5.56% from the end of last year. The ratio of total loans and advances to total assets was 58.82%, representing an increase of 1.79 percentage points as compared with the end of the previous year.

3.5.1.2 Financial investments

In RMB millions

	End of the reporting period		End of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Held-for-trading financial assets	526,034	22.68	549,149	23.85
Creditor's rights investments	1,306,188	56.33	1,169,777	50.80
Other creditor's rights investments	479,619	20.68	577,786	25.10
Other equity instrument investments	7,082	0.31	5,835	0.25
Total	2,318,923	100.00	2,302,547	100.00

Held-for-trading financial assets

In RMB millions

	End of the reporting period		End of last year	
Item	**Balance**	**Percentage (%)**	Balance	Percentage (%)
Bonds	79,918	15.19	70,505	12.83
Trust and asset management plans	18,958	3.60	20,294	3.70
Fund investments	398,733	75.80	428,552	78.04
Securities income certificate	13,437	2.55	18,651	3.40

Equity investment	8,194	1.56	5,104	0.93
Other investments	6,794	1.30	6,043	1.10
Total	526,034	100.00	549,149	100.00

Creditor's rights investments

In RMB millions

	End of the reporting period		End of last year	
Item	**Balance**	**Percentage (%)**	Balance	Percentage (%)
Bonds	855,115	65.47	784,693	67.08
Trust and asset management plans	452,372	34.63	372,860	31.87
Other creditor's rights instruments	950	0.07	8,130	0.70
Accrued interest	17,527	1.34	16,041	1.37
Allowance for impairment losses	-19,776	-1.51	-11,947	-1.02
Total	1,306,188	100.00	1,169,777	100.00

Other creditor's rights investments

In RMB millions

	End of the reporting period		End of last year	
Item	**Balance**	**Percentage (%)**	Balance	Percentage (%)
Bonds	463,929	96.73	524,964	90.86
Asset management plans	9,200	1.92	45,011	7.79
Accrued interest	6,490	1.35	7,811	1.35
Total	479,619	100.00	577,786	100.00

Other equity instrument investments

In RMB millions

	End of the reporting period		End of last year	
Item	Balance	Percentage (%)	Balance	Percentage (%)
Equity	6,254	88.31	5,018	86.00
Other equity investments	828	11.69	817	14.00
Total	7,082	100.00	5,835	100.00

The following table sets out the composition of total bond investments at the Group by issuers.

In RMB millions

	End of the reporting period		End of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Ministry of Finance, local governments and central bank of China	788,947	56.40	800,482	58.00
Policy banks	295,573	21.13	312,774	22.66
Commercial banks and other financial institutions	191,198	13.67	122,552	8.88
Others	123,244	8.80	144,354	10.46
Total bond investments	1,398,962	100.00	1,380,162	100.00

The following table sets out the top 10 financial bonds held in nominal value.

In RMB millions

The Group	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses set aside

Policy bank bonds 2018	11,740	4.98	12 January 2025	1.05
Policy bank bonds 2018	7,870	4.73	2 April 2025	0.70
Policy bank bonds 2018	6,500	4.15	26 October 2025	0.58
Policy bank bonds 2017	6,000	4.44	9 November 2022	0.53
Policy bank bonds 2020	5,500	3.23	10 January 2025	0.49
Policy bank bonds 2020	5,500	3.34	14 July 2025	0.49
Policy bank bonds 2021	5,440	3.12	13 September 2031	0.49
Policy bank bonds 2019	5,000	3.30	1 February 2024	0.45
Bonds of commercial banks and other financial institutions 2021	5,000	3.89	26 January 2022	0.78
Bonds of commercial banks and other financial institutions 2021	5,000	3.89	23 February 2022	0.78

3.5.1.3 Long-term equity investment

As at the end of the reporting period, the balance of long-term equity investment at the Group recorded RMB2,819 million, up 17.41% from the end of last year. Specifically, the investment balance in joint ventures stood at RMB2,513 million, up 18.15% over the end of last year. The balance of allowance for impairment losses on long-term equity investment at the Group was zero by the end of reporting period.

3.5.1.4 Derivatives

As at the end of the reporting period, major categories and amounts of derivatives held by the Group are set out in the following table.

In RMB millions

	End of the reporting period			End of last year		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	4,099,578	17,147	15,789	5,399,464	18,260	18,103
Exchange rate derivatives	1,578,860	13,844	12,669	1,973,523	39,470	39,109

Precious metal derivatives	195,711	2,656	1,014	210,325	5,122	3,632
Commodity and other derivatives	13,320	126	56	14,717	737	302
Total		33,773	29,528		63,589	61,146
Derivatives designated as hedging instruments:						
Fair value hedges						
–Interest rate swap contracts	9,251	42	126	24,283	56	527
–Currency swap contracts	361	-	8	693	-	5
Cash flow hedges						
–Interest rate swap contracts	1,649	17	-	663	-	9
–Currency swap contracts	3,554	5	25	389	-	47
Total		64	159		56	588

6.3.1.5 Goodwill

As per ASBE provisions, the Group conducted the impairment test on the goodwill out of the purchase of Shanghai Trust as at the end of the reporting period. The impairment test findings suggested that no allowance for impairment losses needed to be set aside during the reporting period. As at the end of reporting period, the book value of goodwill at the Group stood at RMB6,981 million.

3.5.2 Analysis of liabilities

As at the end of the reporting period, the total liabilities of the Group reached RMB7,458,539 million, representing an increase of RMB154,138 million or 2.11%, as compared with the end of the previous year.

In RMB millions

	End of the reporting period		End of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total deposits	4,403,056	59.03	4,076,484	55.81
Interest payable on deposits	60,552	0.81	45,923	0.63
Due to and placements from banks and other financial institutions	1,280,994	17.17	1,597,918	21.88
Debt securities issued	1,317,121	17.66	1,140,653	15.62
Due to central bank	236,317	3.17	274,346	3.76
Held-for-trading financial liabilities	31,280	0.42	16,057	0.22
Derivative financial liabilities	29,528	0.40	61,146	0.84
Others	99,691	1.34	91,874	1.24
Total liabilities	7,458,539	100.00	7,304,401	100.00

3.5.2.1 Composition of total deposits

As at the end of the reporting period, the total deposits of the Group reached RMB4,403,056 million, representing an increase of RMB326,572 million or 8.01%, as compared with the end of the previous year.

In RMB millions

	End of the reporting period		End of last year	
Item	Balance	Percentage (%)	Balance	Percentage (%)
Current deposits	2,085,721	47.37	1,910,460	46.86

Incl.: Corporate deposits	1,745,409	39.64	1,606,179	39.40
Retail deposits	340,312	7.73	304,281	7.46
Time deposits	2,314,632	52.56	2,163,363	53.07
Incl.: Corporate deposits	1,631,948	37.06	1,508,210	37.00
Retail deposits	682,684	15.50	655,153	16.07
Other deposits	2,703	0.07	2,661	0.07
Total	4,403,056	100.00	4,076,484	100.00

3.5.3 Analysis of changes in shareholders' equity

As at the end of the reporting period, shareholders' equity of the Group was RMB678,218 million, up 5.02% from the end of last year. The equity attributable to the parent company's shareholders recorded RMB670,007 million, an increase of 4.98% over the end of last year; and the retained earnings totaled RMB193,096 million, up 2.69% over the end of last year, which was mainly credited to the net profit increase and profit distribution during the reporting period.

In RMB millions

Item	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General risk reserve	Other comprehensive income	Retained earnings	Total equity attributable to the parent company's shareholders
Opening balance	29,352	112,691	81,761	142,739	79,640	3,976	188,038	638,197
Changes in accounting policies	-	-	-	-	-	-	-597	-597
Increase	-	-	1	16,553	11,353	-	53,003	80,910
Decrease	-	-	-	-	-	1,155	47,348	48,503
Closing balance	29,352	112,691	81,762	159,292	90,993	2,821	193,096	670,007

In RMB millions

Item	**End of the reporting period**	End of last year	Increase/decrease over the end of the previous year (%)
Share capital	29,352	29,352	-
Other equity instruments	112,691	112,691	-
Capital reserve	81,762	81,761	-
Other comprehensive income	2,821	3,976	-29.05
Surplus reserve	159,292	142,739	11.60
General risk reserve	90,993	79,640	14.26
Retained earnings	193,096	188,038	2.69
Total equity attributable to the parent company's shareholders	670,007	638,197	4.98
Minority shareholders' equity	8,211	7,620	7.76
Total equity	678,218	645,817	5.02

3.6 Items with Changes above 30% in the Accounting Statements and Reasons

In RMB millions

Item	**End of the reporting period**	End of last year	Change (%)	Main reason for the change during the reporting period
Placements with banks and other financial institutions	307,945	234,131	31.53	The placements with domestic non-bank financial institutions scaled up
Precious metals	13,151	44,969	-70.76	The self-operated and agency precious metals held scaled down

Derivative financial assets	33,773	63,589	-46.89	Change to the valuation of fair value
Financial assets purchased under resale agreements	117	36,526	-99.68	Bonds purchased under resale agreements scaled down
Right-of-use assets	8,560	N/A	N/A	Newly added item as per the new leasing standard
Held-for-trading financial liabilities	31,280	16,057	94.81	Financial liabilities related to precious metals scaled up
Derivative financial liabilities	29,528	61,146	-51.71	Change to the valuation of fair value
Lease liabilities	8,451	N/A	N/A	Newly added item as per the new leasing standard

Item	**Jan.-Dec. 2021**	Jan.-Dec. 2020	Change (%)	Main reason for the change during the reporting period
Profit or loss on changes in fair value	4,504	2,220	102.88	The valuation of held-for-trading financial instruments changed
Exchange profit or loss	813	-215	N/A	Exchange rate fluctuated and exchange gains rose
Profit or loss on asset disposal	26	-8	N/A	Profit from disposal of repossessed assets increased
Impairment losses on other assets	13	6	116.67	Impairment losses on repossessed assets increased
Income tax expense	5,305	7,689	-31.01	Pre-tax profit decreased
Other comprehensive income after tax, net	-1,153	-3,307	N/A	The valuation of other creditor’s rights investments changed

Net cash flows used in/generated from operating activities	-257,192	126,385	-303.50	Net cash inflow from interbank transactions decreased
Net cash flows generated from/used in investing activities	42,740	-141,677	N/A	Cash paid for investments decreased

3.7 Analysis of Loan Quality

3.7.1 Five-tier loan classification

In RMB millions

Five-tier risk classification	**At the end of 2021** Amount	Percentage (%)	At the end of 2020 Amount	Percentage (%)	Increase/decrease over the same period of the previous year (%)
Pass	4,605,516	96.22	4,338,449	95.69	6.16
Special mention	103,695	2.17	117,063	2.58	-11.42
Substandard	35,937	0.75	33,191	0.73	8.27
Doubtful	23,222	0.49	27,480	0.61	-15.49
Loss	17,670	0.37	17,790	0.39	-0.67
Total	4,786,040	100.00	4,533,973	100.00	5.56
Total NPLs	76,829	1.61	78,461	1.73	-2.08

In RMB millions

Category	**End of the reporting period**	Percentage (%)	Increase/decrease over the same period of the previous year (%)
Restructured loans	3,784	0.08	36.21
Overdue	99,480	2.08	2.67

loans						

Notes:

1) Restructured loans refer to loans which have been impaired but their contract clauses have been renegotiated.

2) At the Group, a loan shall be entirely classified as overdue, once its principal or interest becomes overdue for one day or longer.

3.7.2 Loan structure and loan quality by product types

As at the end of the reporting period, the proportion of corporate loans was 50.31%, a decrease of 0.55 percentage point from the end of the previous year; the proportion of personal loans was 39.50%, a decrease of 0.03 percentage point as compared with the end of the previous year; and the proportion of discounted bills was 10.19%, an increase of 0.58 percentage point as compared with the end of the previous year.

In RMB millions

	End of the reporting period			End of last year		
Product type	**Loan balance**	**NPLs**	**NPL ratio (%)**	Loan balance	NPLs	NPL ratio (%)
Corporate loans	2,407,728	52,139	2.17	2,305,787	53,796	2.33
General corporate loans	2,261,151	51,954	2.30	2,248,168	53,596	2.38
Trade finance	146,577	185	0.13	57,619	200	0.35
Discounted bills	487,692	490	0.10	435,908	437	0.10
Retail loans	1,890,620	24,200	1.28	1,792,278	24,228	1.35
Personal housing loans	905,974	3,668	0.40	849,193	2,865	0.34
Personal business loans	392,104	5,081	1.30	325,782	4,910	1.51
Credit card and overdraft	416,142	8,246	1.98	372,117	9,375	2.52
Others	176,400	7,205	4.08	245,186	7,078	2.89
Total	4,786,040	76,829	1.61	4,533,973	78,461	1.73

3.7.3 Loan structure and loan quality by industries

In RMB millions

	End of the reporting period			End of last year		
	Loan balance	**Percentage in total loans (%)**	**NPL ratio (%)**	Loan balance	Percentage in total loans (%)	NPL ratio (%)
Corporate loans	2,407,728	50.31	2.17	2,305,787	50.86	2.33
Manufacturing	433,936	9.07	2.92	392,385	8.65	4.13
Lease and commerce services	421,641	8.81	0.61	361,907	7.98	0.98
Real estate	331,015	6.92	2.75	346,486	7.64	2.07
Transportation, warehouse and postal services	185,778	3.88	0.74	157,478	3.47	1.22
Water, environment and public utilities management	180,796	3.78	0.58	173,871	3.84	0.17
Wholesale and retail	177,773	3.71	4.29	207,798	4.58	4.85
Construction	165,645	3.46	1.49	160,798	3.55	1.62
Production and supply of electricity, heating, gas and water	146,184	3.05	1.05	116,544	2.57	0.88
Financial services	108,267	2.26	2.41	104,093	2.30	0.22
Mining	78,343	1.64	5.53	95,167	2.10	7.26
Information transmission, software and IT services	63,203	1.32	2.08	58,820	1.30	2.07
Scientific research and technology services	37,850	0.79	5.41	30,262	0.67	3.94
Culture, sports and entertainment	17,770	0.37	1.35	20,221	0.45	1.18
Agriculture, forestry, farming and fishery	17,243	0.36	12.10	20,172	0.44	4.70

Healthcare and social welfare	15,819	0.33	0.18	19,417	0.43	0.01
Education	14,668	0.31	4.08	15,480	0.34	0.01
Others	11,797	0.25	3.72	24,888	0.55	0.88
Discounted bills	487,692	10.19	0.10	435,908	9.61	0.10
Personal loans	1,890,620	39.50	1.28	1,792,278	39.53	1.35
Total	4,786,040	100.00	1.61	4,533,973	100.00	1.73

3.7.4 Loan structure by geography

In RMB millions

	End of the reporting period		End of last year	
Region	**Book balance**	**Percentage (%)**	Book balance	Percentage (%)
Head Office	569,655	11.90	631,123	13.91
Yangtze River Delta Region	1,485,126	31.03	1,382,670	30.50
Pearl River Delta and West Side of Taiwan Strait	576,228	12.04	499,060	11.01
Bohai Rim	618,390	12.92	573,928	12.66
Central China	559,792	11.70	533,569	11.77
Western China	596,172	12.46	557,301	12.29
North-eastern China	202,429	4.23	186,739	4.12
Overseas institutions and subsidiaries	178,248	3.72	169,583	3.74
Total	4,786,040	100.00	4,533,973	100.00

3.7.5 Loan structure by collateral types

In RMB millions

	End of the reporting period		End of last year	
Item	**Book balance**	**Percentage (%)**	Book balance	Percentage (%)
Unsecured loans	2,012,057	42.04	1,818,279	40.11
Guaranteed loans	779,176	16.28	776,427	17.12
Loans secured by mortgages	1,740,296	36.36	1,668,955	36.81
Pledged loans	254,511	5.32	270,312	5.96
Total	4,786,040	100.00	4,533,973	100.00

3.7.6 Loan migration

	2021		2020		2019	
Item (%)	**Year-end**	**Average**	Year-end	Average	Year-end	Average
Pass loan migration rate	2.12	2.51	2.90	2.98	3.05	3.10
Special-mention loan migration rate	41.95	34.18	26.40	33.40	40.40	36.92
Substandard loan migration rate	77.89	56.60	35.32	43.36	51.39	66.22
Doubtful loan migration rate	42.03	26.36	10.70	24.82	38.94	48.33

3.7.7 Loans of top ten customers

In RMB millions

Customer name	**31 December 2021**	Percentage (%)
Customer A	13,123	0.28

Customer B	11,492	0.24
Customer C	11,484	0.24
Customer D	9,083	0.19
Customer E	8,780	0.18
Customer F	8,568	0.18
Customer G	8,161	0.17
Customer H	6,930	0.14
Customer I	5,858	0.12
Customer J	5,470	0.12
Total	88,949	1.86

3.7.8 Management of LGFV loans

During the reporting period, the Bank constantly strengthened and improved its management of debt financing to local governments, and kept control of key businesses like local government financing vehicles (LGFVs) and local government bonds according to the national policies, regulatory requirements, and its operation and management needs.

First, the Bank continued forestalling and defusing the risks arising from hidden debts of local governments. The existing businesses were put under classified guidance for proper disposal. New businesses were brought under normative management, moves were adopted to eradicate the emergence of such debts in breach of any provision, and supervision was tightened according to the latest policies.

Second, local government-related financing businesses were conducted according to the applicable provisions. The Bank continued to support the financing needs of projects related to major infrastructure construction and people's livelihood and the follow-up financing of projects under construction when necessary. It took the initiative to transform its business models and regulated the operation of PPP financing projects and market-based public welfare programs in key areas. Meanwhile, it underwrote and invested in local government bonds by following the return-risk balance principle in a targeted way.

Third, the Bank improved the long-term mechanism for the prevention and control of hidden debt risks, strengthened daily supervision and management, tightened the control over key links, and carried out the risk monitoring, forewarning, and inspection on an ongoing basis, so as to detect, issue early warnings about, and mitigate various risks as early as possible. Moreover, it strictly implemented the post-lending management programs and made liquidity arrangements before loans were due.

Fourth, the Bank implemented the requirements of laws, regulations and policies concerning local government budget management, debt management, debt limit management, etc., and properly realized the interconnection of key links in the process of the existing debt disposal, which guaranteed its interests and rights.

During the reporting period, the LGFV business ran stably, with risks being controllable and meeting regulatory requirements.

3.7.9 Year-end NPLs and corresponding measures taken

At the end of the reporting period, as for five tiers of loans, the balance of substandard, doubtful and loss loans of the Group was RMB76,829 million, a decrease of RMB1,632 million over the end of last year; and the NPL ratio was 1.61%, down 0.12 percentage point over the end of last year.

The Bank adopted the following measures:

First, it increased credit facilities to key industries and regions, ensured credit newly extended was of high quality, exited from those industries under control and contraction and made according adjustments to customers, and accelerated the optimization of the industry structure of credit assets.

Second, it started to build an industry limit management system and introduced a mixed limit management mode where industry limit is the subject with region limit as a supplement. With related policies and systems rolled out or enhanced, quantitative instruments could transmit credit policies and helped to improve the asset structure constantly.

Third, it stepped up efforts to reduce and dispose of NPLs. An array of measures were adopted in strict accordance with the regulatory requirements, which included strengthening cash recovery, continuously optimizing the management of NPA transfer, successfully piloting the massive transfer of personal NPLs, carrying out debt-to-equity swaps as a response to the related national policy, introducing more disposal channels with intensified efforts, emphasizing key business areas, and generating synergy between/among business segments where recovery projects were concentrated. As a result, the Bank achieved outstanding results in NPL disposal and cash recovery without increasing related costs.

Fourth, it reinforced innovation and transformation, optimized management, and laid a more solid foundation. Following the policy guidance, it did better in differentiated, meticulous operation and management of NPAs, strengthened internal and external inspection, supervision and rectification, and established a robust long-term mechanism for standardized management of NPL disposal. Meanwhile, the Bank optimized property clue probing tools and put in place an intelligent asset resolution system, to enhance digital operation and management. Focused on personnel training and team building, it kept disposing of risks and operating assets in a more professional way.

Fifth, retail risk monitoring was added to the Sky Eye system for unified forewarning and surveillance. In terms of fund flows and changes in the customer profile, strategies were formulated to track and monitor suspected flows of retail loan funds into prohibited areas such as real estate and stock market as well as changes in the retail customer profile. Cross-risks of corporate and retail banking were forewarned and monitored. Directors, supervisors, senior management members, and actual controllers of companies with their corporate loans overdue were monitored in the retail segment. Forewarning and monitoring measures were adopted against the cross-risks arising from the classification of restructured personal loans, personal loans, credit card, etc. in the retail segment. At the same time, for the risky customers found in the process of forewarning and monitoring, the retail segment was asked to withdraw cash from them.

3.7.10 Credit extension to group customers

For group customers, the Bank upheld the principles of "unified credit extension, moderate credit limit and differentiated administration". The credit extension of group customers was brought under unified management and risk control. It comprehensively assessed the customers' risks and ability to undertake risks, worked out the overall credit line to group customers reasonably, and prevented the concentration risk. Based on business development realities and in full consideration of the differentiated management requirements of group customers, it further refined the classified management model for group customers with a balance between risk and efficiency. It ensured general stability of credit extension to group customers and satisfied the regulator's requirements for credit concentration of group customers through continuously refining the credit extension management system for group customers, optimizing the credit extension management procedure and stepping up early warning and post-lending management.

3.7.11 Provision and write-off of loan impairment

In RMB millions

The Group	**The reporting period**	Same period of last year
Opening balance	119,867	110,491
Provision in the year	64,542	75,022
Write-off and disposal in the year	-81,102	-70,044
Recovery of loans and advances written off in previous years	8,149	5,648
Other changes	-850	-1,250
Closing balance	110,606	119,867

Note: Description of provisions for loan impairment: The Group assessed the expected credit loss in conjunction with forward-looking information. The method adopted by the measurement of expected credit loss reflected the following elements: the unbiased-probability weighted average amount determined by assessing a series of possible results; the time value of money; the reasonable and well-grounded information on related past events, current conditions and predictions of economic prospects that can be obtained on the balance sheet date without incurring unnecessary extra costs or endeavors.

3.8 Analysis of Other Regulatory Indicators Applicable for Commercial Banks

3.8.1 Capital structure and management measures

The Bank continued to improve the capital constraint and transmission mechanism, optimized capital allocation, and promoted capital replenishment through internal and external channels, with capital adequacy ratios (CAR) at all levels meeting regulatory requirements and hovering at a healthy and reasonable level.

As calculated based on relevant provisions in the Capital Management Measures for Commercial Banks (Trial) as promulgated by the CBIRC:

In RMB millions

	End of the reporting period		End of last year	
Item	**The Group**	**The Bank**	The Group	The Bank
Total capital	833,078	808,839	810,544	790,165
Incl.: Core tier-one capital	563,849	544,779	530,953	513,851
Additional tier-one capital	110,443	109,910	110,385	109,910
Tier-two capital	158,786	154,150	169,206	166,404
Capital deduction items	15,363	33,326	11,685	29,551
Incl.: Core tier-one capital deduction items	15,363	33,326	11,685	29,551
Additional tier-one capital deduction items	-	-	-	-
Tier-two capital deduction items	-	-	-	-
Net capital	817,715	775,513	798,859	760,614
Minimum capital requirement (%)	8.00	8.00	8.00	8.00
Requirement for capital	2.50	2.50	2.50	2.50

reserve and counter-cyclical capital (%)				
Additional capital requirement	-	-	-	-
Risk-weighted assets	5,835,947	5,651,204	5,458,504	5,300,293
Incl.: Credit risk-weighted assets	5,432,532	5,274,414	5,049,472	4,916,607
Market risk-weighted assets	42,114	35,695	60,419	53,425
Operational risk-weighted assets	361,301	341,095	348,613	330,261
Core tier-one capital adequacy ratio (%)	9.40	9.05	9.51	9.14
Tier-one capital adequacy ratio (%)	11.29	11.00	11.54	11.21
Capital adequacy ratio (%)	14.01	13.72	14.64	14.35

Notes:

(1) The above are capital adequacy data and information of the Bank and the Group as measured based on the Capital Management Measures for Commercial Banks (Trial) as promulgated by the CBIRC. Net core tier-one capital = core tier-one capital - core tier-one capital deduction items; net tier-one capital = net core tier-one capital + additional tier-one capital - additional tier-one capital deduction items; net total capital = net tier-one capital + tier-two capital - tier-two capital deduction items.

(2) According to the Regulatory Requirements for Disclosure of Capital Composition of Commercial Banks as promulgated by the CBIRC, the Bank discloses information on capital composition in the reporting period, explanations of relevant items and main features of capital instruments under the special column of investor relations on the official website (www.spdb.com.cn).

(3) Capital instruments enjoying preferential policy for transition period: According to relevant provisions in the Capital Management Measures for Commercial Banks (Trial) as promulgated by CBIRC, the unqualified tier-two capital instruments issued by commercial banks before 12 September 2010 can enjoy preferential policies, that is, a progressive decreasing of 10% each year since 1 January 2013. At the end of 2012, the book value of unqualified tier-two capital of the Bank was RMB38.6 billion, which was decreased by 10% progressively each year since 2013 to come to RMB3,860 million as at the end of the reporting period.

(4) Additional capital requirements for systemically important banks: Systemically important

banks shall satisfy the additional capital requirements, according to the PBC's Provisions on the Additional Regulation of Systemically Important Banks (Trial). In 2021, the Bank made its way to the second group of domestic systematically important banks. This change brought an applicable additional requirement of 0.5%, which means that the Bank's core tier-one CAR, tier-one CAR, and CAR shall not be lower than 8%, 9%, and 11% respectively from 1 January 2023.

3.8.2 Leverage ratio

The leverage ratio indicators of the Group have been calculated in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) released by the CBIRC. As at the end of the reporting period, the Bank's leverage ratio was 6.76%, up 0.07 percentage point over the end of last year; and that of the Group was 7.04%, up 0.07 percentage point over the end of last year.

In RMB millions

	End of the reporting period		End of last year	
Item	**The Group**	**The Bank**	The Group	The Bank
Net tier-one capital	658,929	621,363	629,653	594,210
Balance of on-and-off-balance sheet assets after adjustment	9,364,190	9,192,490	9,034,899	8,879,389
Leverage ratio (%)	7.04	6.76	6.97	6.69

The Bank discloses detailed information on the leverage ratio for the reporting period under the special column of investor relations on official website of the Bank (www.spdb.com.cn).

Note: Additional leverage ratio requirements for systemically important banks: Systemically important banks shall satisfy the additional leverage ratio requirements, according to the PBC's Provisions on the Additional Regulation of Systemically Important Banks (Trial). In 2021, the Bank made its way to the second group of domestic systematically important banks. This change brought an applicable additional leverage ratio requirement of 0.25%, which means that the Bank's leverage ratio shall not be lower than 4.25% from 1 January 2023.

3.8.3 Liquidity coverage ratio

In RMB millions

The Group	**End of the reporting period**
Quality current assets	873,364
Net cash outflow	622,310
Liquidity coverage ratio (%)	140.34

3.8.4 Net stable funding ratio

In RMB millions

The Group	**31 December 2021**	30 September 2021	30 June 2021	31 March 2021
Net stable funding ratio (%)	102.39	102.02	104.21	102.43
Stable funds available	4,397,232	4,320,456	4,337,528	4,224,581
Stable funds needed	4,294,568	4,235,116	4,162,254	4,124,254

3.8.5 Other regulatory financial indicators of the Bank for the past three years

Item (%)		Regulatory standard	Actual value		
			31 December 2021	31 December 2020	31 December 2019
CAR		≥10.5	13.72	14.35	13.58
Tier-one CAR		≥8.5	11.00	11.21	11.22
Core tier-one CAR		≥7.5	9.05	9.14	9.92
Asset liquidity ratio	RMB	≥25	49.94	46.00	52.18
	RMB and foreign currency	≥25	49.45	45.95	51.61
Proportion of loans to the single biggest customer to net capital		≤10	1.69	1.31	1.48
Proportion of loans to the top ten customers to net capital		≤50	11.47	8.49	8.60
Allowance to NPLs		≥130	140.66	150.74	133.85

Allowance to total loans ratio	≥1.8	2.23	2.59	2.70

Notes:

(1) In the table, the CAR, liquidity ratio, proportion of loans to the single biggest customer, proportion of loans to the top ten customers, allowance to NPLs, and allowance to total loans ratio are calculated based on data submitted to the regulator, under the data standard of the parent company.

(2) As per the provisions set out in the Notice on Adjusting Regulatory Requirements for Allowance for Loan Losses at Commercial Banks (Y.J.F. [2018] No.7) issued by the CBIRC, all joint-stock banks shall adopt the regulatory standard of putting their allowance to NPLs and allowance to total loans ratio under differentiated and dynamic adjustment.

3.9 Business Overview of the Bank

3.9.1 Principal business

Approved by the PBC and the CBIRC, the main business of the Bank covers: absorption of public deposits, grant of short-term, middle-term and long-term loans, settlement, bill discounting, issuance of financial bonds, agency issuance, agency cashing and underwriting of governmental bonds, purchase and sale of governmental bonds, interbank borrowing, L/C and L/G services, agency receipt and payment and agency insurance business, safe box business, foreign exchange proceeds deposits, foreign exchange loans, foreign exchange remittance, foreign currency exchange, international clearing, interbank foreign exchange borrowing, acceptance and discounting of foreign exchange instruments, foreign exchange loans, foreign exchange guarantee, settlement and surrendering of exchange, purchase and sale of foreign negotiable securities other than stocks per se or as agent, self-operation of foreign exchange trading, foreign exchange trading on an agency basis, credit inquiry, consultation and attestation, offshore banking, portfolio investment and fund custody, national social security fund custody, and other business approved by the PBC and the CBIRC.

3.9.2 Performance of main business lines

3.9.2.1 Corporate banking

During the reporting period, adhering to the customer-oriented approach, the Bank deepened the customer operation, worked hard to serve the real economy, and provided all-round financial services for customers including but not limited to commercial credit, transaction banking, investment banking, electronic banking, cross-border business, and offshore business. Meanwhile, it vigorously advanced the ecosystem-based digital operation, strengthened financial innovation, and saw its key business indicators picking up. During the reporting period, its corporate banking business segment reaped a net income of RMB64,288 million. Besides, the Bank continued to push forward the multi-level, classified customer operation, and consolidated the customer base. As at the end of the reporting period, the number of corporate customers reached 1,897,200, an increase of 217,300 over the end of last year.

Strategic customer operation at the Head Office

During the reporting period, the Bank created a "one solution for one customer" operation pattern and formed a differentiated operation strategy based on multiple dimensions of strategic customers (groups) such as industry characteristics, treasury management, payment & collection, supply chains of upstream and downstream industries, and product empowerment needs. Capitalizing on the platform advantages of the Head Office, it created the circle of group customers, the circle of industries, and the circle of supply chains to drive ecosystem-based operation and high-value customer acquisition. As at the end of the reporting period, the outstanding corporate deposits denominated in RMB and foreign currencies from strategic customers of the Head Office stood at RMB822.2 billion; and the outstanding corporate loans denominated in RMB and foreign currencies were RMB557.3 billion.

Corporate deposits and loans

The Bank further optimized the credit customer structure by vigorously supporting upgraded industries, traditional competitive industries, strategic emerging industries, modern services and green industries but strictly curbing financing to industries with heavy pollution, high energy consumption and overcapacity. As at the end of the reporting period, the total corporate deposits posted RMB3,367,733 million, representing an increase of RMB263,938 million or 8.50% over the end of the previous year; and the corporate loans (excluding discounted bills) totaled RMB2,321,766 million, representing an increase of RMB95,588 million from the end of last year.

Investment banking

During the reporting period, the Bank underwrote 1,540 bonds worth RMB740.7 billion as a lead underwriter, of which debt financing instruments amounted to RMB532.6 billion. The asset-backed notes (ABN) underwritten by the Bank totaled RMB31,915 million and the credit asset-backed securities underwritten by it amounted to RMB4,915 million. The M&A finance business continued to develop rapidly with a balance of domestic and overseas M&A financing registered RMB132.3 billion and the new M&A loans amounting to RMB60,006 million.

Transaction banking

During the reporting period, the Bank recorded RMB70.9 trillion in the volume of e-channel transactions and its active payment and settlement customers numbered 370,000. Besides, the number of core supply chain customers reached 974 and that of upstream and downstream supply chain customers hit 15,254, of which, upstream and downstream customers of auto finance numbered 2,336. The cross-border RMB collection and payment reached RMB790 billion and the balance of foreign currencies placed onshore totaled USD8,797 million.

Inclusive finance

During the reporting period, the Bank earnestly implemented the general requirements put forth by the CPC Central Committee and the State Council for developing inclusive finance. It kept expanding the reach and coverage of inclusive finance services by pressing ahead with the supply-side reform of inclusive finance, enabling inclusive finance to go digital, intensifying product innovation, making up for institutional shortcomings, and capitalizing on policy synergy and departmental collaboration. While steadily promoting the high-quality development of inclusive finance, it also fully implemented various regulatory requirements. In short, new progress was achieved in developing inclusive finance. As at the end of 2021, the Bank's balance of inclusive loans extended by the standard of "two increases" stood at RMB319,688 million and the number of small and micro enterprises receiving such loans hit 231,800. In the year, the cumulative interest rate of inclusive loans extended by the standard of "two increases" was 4.86%, and the non-performing ratio of inclusive loans was 1.54%.

During the reporting period, the Bank continued to improve the inclusive finance mechanisms and systems by listing credit plans and risk limits separately and formulating differentiated industry investment policies. It improved the effectiveness of financial services for small and micro enterprises overall through a series of measures, including increasing subsidies, fee reduction, optimizing special assessments for inclusive finance, introducing a non-performing tolerance mechanism for inclusive loans to small and micro enterprises, and encouraging the supply of inclusive loans.

During the reporting period, the Bank continued to digitalize the operation of inclusive finance. It upheld the business principles of massive customer acquisition, standardized operation, digitalized support, and intelligent risk control, and relied on the adoption of various emerging technologies to transform and upgrade the digital operation model of inclusive finance. Remarkable results were achieved in the application of relevant innovations.

International business vehicles

In the reporting period, the Bank gripped market opportunities to develop international business vehicles (including offshore, free trade zone and overseas branches), with an emphasis placed on developing core customers and accelerating optimization of the business structure. As a result, all businesses were boosted and had good development. As at the end of the reporting period, the total assets of all the international business vehicles amounted to RMB369,303 million. In the reporting period, these vehicles realized an operating income of RMB4,097 million cumulatively.

3.9.2.2 Retail banking

During the reporting period, the Bank upheld the customer-centric approach and combined digital technology with customer operation together to transform its retail banking with digital means on all fronts. Targeting the key and weak business fields, it dug deep into the market potential, kept improving product innovation, channel operation, and management mechanisms, and made strides in standardized customer services. The outstanding retail deposits crossed the RMB1 trillion mark, the outstanding retail loans amounted to RMB1,874,629 million, and the net operating income reached RMB65.93 billion.

Personal customers and deposits

During the reporting period, the Bank continued to strengthen customer acquisition and operation. Online, it explored new models of operating scenario-based platforms, cast a digital, refined, and closed-loop customer management system, and optimized customer service evaluation management. Offline, it helped outlets raise intelligent service capability, as a move to comprehensively enhance customers' satisfaction and sense of gain. There were 138 million personal customers (including credit card holders) across the Bank; the AUM of retail customers kept growing steadily, with a balance (including market value) of RMB3.87 trillion; and the personal deposits posted a balance of RMB1,002,162 million, up RMB63,106 million over the beginning of the year.

Retail credit business

During the reporting period, the Bank, with a view to improving people's livelihood, continued to enhance its capability of rendering inclusive finance services and made sure its full-chain service could realize digitalized internal control and compliance management. As at the end of the reporting period, the Bank's total personal loans were RMB1,874,629 million. Of these, the housing mortgage loans totaled RMB898,953 million. Practicing the customer-centric service tenet, the Bank continued to develop and promote innovative inclusive finance products and made it possible for branches in the Yangtze River Delta region to share offline business loan policies. The "Quick Loan Secured with Housing" was launched as an innovative product to facilitate the financing of small and micro enterprises. The "SPD Inclusive Tax Loan" was optimized and promoted to serve enterprises with data-driven invoicing services. The multi-dimensional supply chain map was chartered and standardized products were promoted to further expand the customer coverage and service capacity of inclusive finance. Designed to facilitate people's consumption and promote the scenario-based operation, the "SPDB Small Loan" set up nearly 130 housing provident fund channels that covered 114 cities including Beijing, Shanghai, Guangzhou, and Shenzhen. The "Fabei" business newly added a host of spending scenarios including education and training, shopping mall-oriented installment payment, decoration loan, and smartphone purchase with credit programs, among others. The auto finance mode came into practice, which covered traditional cars, new energy vehicles (NEVs), automotive after-sales service market, and other fields. Digital means were used to empower asset quality management. The retail credit business established a digital risk control system, covering the models and strategies through the whole process that consisted of anti-fraud, credit approval, risk forewarning, post-lending management, and loan collection. Applications for retail credit at the Head Office and branches could be reviewed and approved in a centralized way. Efforts were made to further implement the mechanism where loan applications could be approved by full-time approvers and credit quality be monitored after approval. Risk management was carried out in a more professional manner.

Wealth management business

During the reporting period, the Bank actively adapted itself to changes in the market environment, focused on customer needs, and used its intelligent wealth management system to allocate customer assets in a scientific and reasonable way and make personalized wealth management planning. To provide a wide range of financial services, it optimized the wealth management product lineup, selected high-quality products across the market, strengthened customer management, and guided customers to adopt a long-term approach to investing in exchange for a better profit experience. With the group-wide coordination and cooperation going deeper, the Bank made innovations in products, channels, and services, effectively scaled up fund, insurance, and trust businesses, and became more competitive and influential in the market. During the reporting period, the balance of wealth management products held by personal customers registered RMB1,034.4 billion, of which new net-value products posted a balance of RMB949.4 billion and accounted for 91.78% of the total; the fund holdings amounted to RMB186 billion, and the holdings of non-monetary funds ranked second among all joint-stock banks nationwide; the insurance assets crossed the RMB100 billion mark; the income from wealth management business hit RMB6,757 million.

Debit card and payment settlement

During the reporting period, the Bank worked with over 285 partners to issue co-branded cards and themed cards, by launching the card number and face customization service, and optimizing the online card claiming and mailing service. Meanwhile, it became one of the first banks to promote the payment with cellphone number, payment with facial recognition, OPPO PAY, and VIVO PAY. The move helped to further diversify the card-free payment experience. In the reporting period, the Bank issued 11,616,800 new debit cards, bringing the total number of debit cards in circulation to 86,206,000. The acquiring business continued to serve the real economy on the premise of operational compliance and risk control; the retail banking provided a full package of services and instruments and acted on the policy of the PBC for fee reduction to fuel the operation of retail merchants; the corporate banking relied on API output to make the Bank's acquiring business more scalable and adaptive; and with respect to the construction of digitalized platforms, the new generation of the unified acquiring platform went online to further enhance the acquiring service capacity.

Credit card

During the reporting period, the Bank's credit card segment aimed to attain high-quality development around real consumption scenarios, bore the founding mission of serving the real economy in mind, and relied on the financial ecosystem where customers were divided into different groups and levels. Spearheaded by the full-life-cycle customer service tenet, it continued exploring a path to sustainable development that would well balance the relations of risks and benefits across customers, cards, products, and rights.

As at the end of the reporting period, the Bank had 48,434,500 credit cards in circulation; the balance of credit card loans amounted to RMB416,142 million; the "Joyful SPD Credit Card" app had 20.2 million monthly active users. During the reporting period, the Bank's credit card transactions amounted to RMB2,215,716 million; and the business generated a total income of RMB38,079 million.

Private banking

During the reporting period, the private banking segment of the Bank tapped deep into customer operation, relied on its group-wide advantages, sought linkage between different regions, optimized the hierarchical management mode fit for private banking customers, and forged a product lineup that covered all categories. At the same time, it strove to cast a brand offering a complete set of private banking services dedicated to "the inheritance of wealth, family, enterprise, and spirit". Furthermore, the private banking segment cemented the three-pronged team building, did better in professional asset allocation and the delivery of comprehensive services, optimized the exclusive service experience on all fronts, and moved faster to increase the comprehensive contribution of private banking customers. As at the end of the reporting period, the Bank had over 27,000 private banking customers (monthly average daily financial assets of RMB8 million or above) and managed their financial assets worth over RMB510 billion.

3.9.2.3 Financial market and financial institution

During the reporting period, the Bank, always being customer-centric, stepped up product and business innovation, grasped market opportunities to optimize asset allocation strategies and advance innovation and transformation, and kept raising the business standard and investment & trading capabilities in the financial market business. It worked hard to enhance operational efficiency on the premise of ensuring liquidity security and risk control compliance across the board. As at the end of the reporting period, the scale of fund assets operated by the Bank reached RMB2.2 trillion. During the reporting period, the financial market business recorded a net operating income of RMB37.84 billion.

Investment transaction

Interbank business: The Bank actively increased the allocation of acceptable assets and standardized assets such as asset securitization business, while promoting the inclusive finance ABS investments to strengthen the support of inclusive finance. Bond trading: The Bank did better in grasping market timing and swings, tried to grip every possible market opportunity, and shored up the spread income and portfolio income steadily. While expanding the macro hedging strategies at home and abroad, it maintained the bond lending business within the first echelon of market players. Bill business: The Bank worked hard to enhance the comprehensive contribution of the business line, with the volume of business conducted through online channels growing fast. Agency business: The Bank upgraded the "SPDB Risk Hedging" brand, released the Blue Book on Market Outlook of SPDB Risk Hedging in 2021, and provided customers who sought risk hedging with market trend analysis. The efficient output of research results directly to customers turned out another value-added service in the agency business. Seizing the market opportunities related to interest rate, exchange rate, precious metals and commodities, the Bank made all-round and three-dimensional integrated innovations. To maintain a leading position in transactions on exchange across the market, it conducted more than 30 pioneering deals in the factor market successively, which improved its overall influence in the market continuously.

Financial institution business

During the reporting period, the Bank, centering on customers, continued to make progress in customer/product uploading, optimized the structure of customers, raised service standards, and boosted operational sustainability. As at the end of the reporting period, the Bank entered partnerships with over 3,200 target customers in total, which covered 63% of industries. Financial institution liabilities posted a daily average of RMB1.9 trillion, of which the proportion of current deposits continued to increase. The online interbank platform enhanced its service capacity, with a cumulative number of 2,443 customers. The "Bund 12 Interbank Cooperation Salon" became a more influential brand, with the proportion of various online activities further climbing up and the efforts to replicate the salon mode at the regional level turning out fruitful.

Asset management

During the reporting period, the Bank continued to launch new products and ensure the supply of various products. Its wealth management products posted a balance of RMB1,089.6 billion and the wealth management products in compliance with the new asset management regulations reached RMB961.8 billion, representing an increase of RMB308.3 billion from the beginning of the year or accounting for 88% of the total. Meanwhile, the Bank taped deep into business opportunities, stepped up efforts to allocate standardized assets and improve the proportion of such assets, and exploited its long-established advantages to accrue interest on project assets. In accordance with the basic principles of "strict compliance, prudent and orderly operation, risk control, and customer stability", it continued to reduce non-compliant assets and then non-compliant products, thus rectifying the existing businesses in a steady, solid, and prudent manner. Being far-sighted enough, the Bank made active and orderly preparations for the opening of a wealth management subsidiary. In the year, tremendous results were achieved in the transformation of business model and management mode. It realized fee-based business income of RMB8,253 million during the reporting period.

Asset custody

During the reporting period, the Bank actively rose to various market challenges, sped up the structural optimization, and put compliance in the first place to ensure operational security. As at the end of the reporting period, the asset custody business had a scale of RMB14.47 trillion. During the reporting period, the business generated RMB3,103 million of custody fee income.

3.9.2.4 Channel and services

Outlet building

The Bank implements a first-class legal entity system and adopts a mechanism of Head Office and branches. According to principles of economic efficiency and economic divisions and based on the layout of commercial banks across the nation, it established branches and sub-branches in medium and large cities, and important central cities in coastal areas, the northeast, the central and west areas. During the reporting period, the Bank newly established one tier-one branch and 63 intra-city sub-branches, ceased operating one business institution, set up 21 new community banks, and canceled or merged 40 community banks. As at the end of the reporting period, it had established 42 tier-one branches and 1,684 banking outlets in 31 provinces, municipalities directly under the central government, and autonomous regions, Hong Kong SAR, Singapore and London. Details are set out in the table below:

Region	Institution name	Address	Number of employees (Person)	Total assets (in RMB millions)	Number of organs under its jurisdiction
Head	Head Office	No. 12, Zhongshan Dongyi Road, Shanghai	9,009	3,586,903	1,683

Region	Institution name	Address	Number of employees (Person)	Total assets (in RMB millions)	Number of organs under its jurisdiction
Office	Credit Card Center	SPD Bank Building, No. 588 Pudong South Road, Shanghai	11,806	408,028	-
	Sub-total		20,815	3,994,931	1,683
Yangtze River Delta Region	Shanghai Branch	No. 588 Pudong South Road, Shanghai	4,417	1,133,443	183
	Hangzhou Branch	No. 129 Yan'an Road, Hangzhou	2,678	371,615	98
	Ningbo Branch	No. 21 Jiangxia Street, Ningbo	1,253	132,329	40
	Nanjing Branch	No. 90, Zhongshan East Road, Nanjing	2,977	348,347	111
	Suzhou Branch	No. 718, Zhongyuan Road, Industrial Park, Suzhou	908	114,350	31
	Hefei Branch	No. 2608 Hangzhou Road, Binhu New Area, Hefei	1,179	112,868	39
	Shanghai Free Trade Zone Branch	Floor 22, SPD Bank Building, No. 588 Pudong South Road, Shanghai	39	92,200	-
	Sub-total		13,451	2,305,152	502
Pearl River Delta and West Side of Taiwan Strait	Guangzhou Branch	No. 12, Zhujiang West Road, Tianhe District, Guangzhou	2,200	256,445	82
	Shenzhen Branch	No. 333, Liyuan Road, Sun'gang Sub-district, Luohu District, Shenzhen	1,782	368,282	47
	Fuzhou Branch	No. 222, Hudong Road, Fuzhou	699	56,301	53
	Xiamen Branch	No. 666-1 Xiahe Road, Xiamen	274	17,228	15
	Sub-total		4,955	698,256	197
Bohai Rim	Beijing Branch	No. 18, Taipingqiao Avenue, Xicheng District, Beijing	1,988	576,412	87

Region	Institution name	Address	Number of employees (Person)	Total assets (in RMB millions)	Number of organs under its jurisdiction
	Tianjin Branch	Block D, No. 9+ Binshui Avenue, Hexi District, Tianjin	1,242	195,811	37
	Ji'nan Branch	No. 139, Heihuquan West Road, Ji'nan	1,222	67,943	63
	Qingdao Branch	No. 188 Haier Road, Laoshan District, Qingdao	879	91,939	33
	Shijiazhuang Branch	101 Fangbei Shopping Mall, No. 133 Yuhua East Road, Chang'an District, Shijiazhuang	737	52,743	31
	Hebei Xiongan Branch	Northwest corner of the intersection of Baiyangdian Street and Rongmei Road, Rongcheng County, Baoding City	20	116	-
	Sub-total		6,088	984,964	251
Central China	Zhengzhou Branch	No. 299, Jinshui Road, Zhengzhou	1,891	244,120	94
	Wuhan Branch	No. 218 Xinhua Road, Jianghan District, Wuhan	966	80,339	46
	Taiyuan Branch	No. 5, Qingnian Road, Taiyuan	934	84,551	53
	Changsha Branch	No. 102, Chazishan East Road, Binjiang New Town, Changsha	955	87,643	51
	Nanchang Branch	No. 1402, Hongguzhong Avenue, Nanchang	676	64,749	35
	Haikou Branch	No. 26, Yusha Road, Haikou	183	9,679	6
	Sub-total		5,605	571,081	285
Western China	Chongqing Branch	No. 78, Star Avenue, High-tech Park, Northern New District, Chongqing	747	122,802	26
	Kunming Branch	No. 156, Dongfeng West Road, Kunming	690	57,074	36
	Chengdu Branch	No. 22 East II Section, 2nd Ring Road, Chenghua District, Chengdu	797	66,945	22
	Xi'an Branch	No. 6 Jinye Road, High-tech Zone, Xi'an	1,113	120,448	55

Region	Institution name	Address	Number of employees (Person)	Total assets (in RMB millions)	Number of organs under its jurisdiction
	Nanning Branch	No. 22, Jinpu Road, Nanning	607	75,676	23
	Urumqi Branch	No. 379, Xinhua South Road, Urumqi	462	38,080	21
	Hohhot Branch	Block B Dongfang Junzuo, No. 18 Chilechuan Street, Saihan District, Hohhot	560	34,212	26
	Lanzhou Branch	No. 101, Guangchang South Road, Lanzhou	487	29,325	29
	Guiyang Branch	East Tower 4, Eastern Zone, Financial Business District, Part B of Zhongtian Exhibition Town, Guanshanhu District, Guiyang	370	37,737	18
	Xining Branch	Yanan Building, 1-7 No. 1 Weibo Lane, Chengxi District, Xining	215	7,100	7
	Yinchuan Branch	No. 51, Xinhua East Street, Xingqing District, Yinchuan	169	8,298	5
	Lhasa Branch	No. 1 Commerce Building, No. 48 Beijingzhong Road, Chengguan District, Lhasa	121	4,404	1
	Sub-total		6,338	602,101	269
North-eastern China	Dalian Branch	No. 45, Huizhan Road, Shahekou District, Dalian	870	79,698	54
	Shenyang Branch	No. 326 Fengtian Street, Shenhe District, Shenyang	709	51,339	28
	Harbin Branch	No. 226, Hongqi Street, Nangang District, Harbin	689	66,615	32
	Changchun Branch	No. 3518, Renmin Street, Changchun	493	39,174	23
	Sub-total		2,761	236,826	137
Overseas	Hong Kong Branch	Floor 30, SPD Bank Tower, No. 1, Hennessy Road, Hong Kong	251	155,841	-

Region	Institution name	Address	Number of employees (Person)	Total assets (in RMB millions)	Number of organs under its jurisdiction
	Singapore Branch	12 Marina Boulevard, #34-01, MBFC Tower 3, Singapore	95	31,011	-
	London Branch	19th floor, 1 Angel Court London,EC2R 7HJ	47	10,556	-
	Sub-total		393	197,408	-
Aggregate adjustment				-1,621,458	42
Total			60,406	7,969,261	1,683

Note: The total number of employees, total assets and total number of institutions under the jurisdiction do not include that of the holding subsidiaries.

Electronic banking

During the reporting period, the Bank worked towards the strategic goal of growing into a globally competitive, top-notch joint-stock commercial bank. Specifically, it allowed AI innovation to further play its enabling role, put customer experience in the first place, and reshaped business processes, so as to enhance the user experience and service efficiency, both online and offline.

As at the end of the reporting period, the Bank had 38,806,100 personal online banking customers, who conducted 60 million transactions in a total amount of RMB4.52 trillion in the reporting period; it had 61,117,900 personal mobile banking customers who conducted 359 million transactions in a total amount of RMB11.56 trillion in the reporting period. The number of personal customers using card-bound internet payment service reached 50,724,600, and 3,542 million transactions in a total amount of RMB1.68 trillion were conducted during the reporting period. The Bank had 4,716 self-service cash devices in service and 2,765 self-service outlets with the e-channel trading substitution rate up to 99.4%.

Operation support

During the reporting period, the Bank, aiming to enhance "efficiency, excellence, value and security", wrapped up the building of the "smart operation" mode and proposed a plan to build the "smart operation +" system in the three years to come. First, the Bank sought cross-boundary collaboration to support the development of front-office business and further enhanced its capability of comprehensive, differentiated operation by refining the front office interaction mechanism, giving full play to its advantages in professional operation, supporting cross-region collaborative marketing efforts and the Head Office's strategic direct marketing, and through other composite supporting modes. Second, it steadily pressed forward with the building of "asset-light" outlets, advanced the reform of operation factors (paper-free, seal-free, and electronic archive) on all fronts, and put in place the straight-through and online operation modes. The 6S management was upgraded, operation marketing efforts were increased, and a new model was introduced for operation and service rendering at outlets. Third, the Bank continued to forge the end-to-end business processes, prioritized reshaping corporate account opening, salary payroll, foreign exchange and other business forms into end-to-end, online processes, and made innovations in all business processes from the customer acquisition level, the middle-office operation level, and the back-office control level. Fourth, it refined the intensive operation and management model, got rid of limitations brought by institutions and levels, and formed a business support system where different branches could make joint action, the Head Office and branches could coordinate their efforts as a whole, and the middle and back offices could be integrated as one. As a result, there emerged a "logically concentrated, physically dispersed" operation pattern. Besides, exchange policy review, remote authorization and other business were conducted on a cross-regional agency basis, which therefore highlighted the flexibility of the business supports. Meanwhile, the operation support was extended in depth and breadth. Fifth, it took "stable internal control" measures to ensure safe transformation, advanced two shifts in the bank-wide internal control management, that is, shifting the focus from "experience dependence and ex post supervision" to "digital analysis and preventive supervision", and shifting the focus from "ex post" to "ex ante and interim" phases, reconstructed the internal control system, increased the application of data in various inspections, identified problems accurately, and intensified the risk forewarning mechanism, thereby holding onto the bottom line for risk management.

3.9.3 Analysis of major holding and participating companies

3.9.3.1 External equity investments

In RMB millions

	End of the reporting period	End of last year	Change	Change rate (%)
Investment balance in joint ventures	2,513	2,127	386	18.15
Investment balance in associates	306	274	32	11.68
Other equity investments	14,448	10,122	4,326	42.74
Total	17,267	12,523	4,744	37.88

Notes:

(1) Joint ventures include AXA SPDB Investment Managers Co., Ltd. and SPD Silicon Valley Bank Co., Ltd.;

(2) Associates include China Trust Registration Corporation Limited. Shanghai Trust, a

subsidiary of the Bank, sent a director to China Trust Registration Corporation Limited.

(3) Other equity investments mainly include Shenlian International Investment, China UnionPay Co., Ltd., National Financing Guarantee Fund Co., Ltd., and National Green Development Fund Co., Ltd.

3.9.3.2 Interests in unlisted financial enterprises

In RMB millions

Investee	Investment balance	Stake in the company (%)	Book value at the end of the period	Profit/loss during the reporting period	Other changes in owner's equity during the reporting period	Accounting item
AXA SPDB Investment Managers Co., Ltd.	974	51.00	1,519	186	-	Long-term equity investment
SPD Silicon Valley Bank Co., Ltd.	1,000	50.00	994	-	1	Long-term equity investment
Shenlian International Investment Co., Ltd.	286	16.50	518	9	34	Financial investments: Other equity instrument investments
China UnionPay Co., Ltd.	104	3.07	956	23	-17	Financial investments: Other equity instrument investments
National Financing Guarantee Fund Co., Ltd.	2,000	3.03	2,000	-	-	Financial investments: Other equity instrument investments
National Green Development Fund Co., Ltd.	700	7.91	700	-	-	Financial investments: Other equity instrument investments
China Trust Registration	100	3.33	102	2	-	Long-term equity investment

Corporation Limited						
China Trust Protection Fund Co., Ltd.	500	4.35	500	28	-	Financial investments: Held-for-trading financial assets
Shanghai Life Insurance Co., Ltd.	80	1.33	80	-	-	Financial investments: Held-for-trading financial assets
Total	5,744		7,369	248	18	

Note: Profit/loss during the reporting period refers to the influence of the investment on profit of the Group during the reporting period.

3.9.3.3 Management and control of subsidiaries

At the 31st Meeting of the Seventh Board of Directors of the Bank, the Proposal to Amend the Bank's Measures for the Management of Investee Companies was considered and adopted to further specify the management requirements for various types of investee companies. As per the principles of "legal compliance, classified, group-wide, penetrating, and upgraded management, and market-based and independent operation", the Bank divided investee companies into different categories for management according to their differences in shareholding ratio and degree of control, thus capable of clearly defining the rights, obligations and responsibilities of these enterprises, highlighting priorities of management, and improving management efficiency.

3.9.3.4 Analysis of major investee companies of the Group

(1) Shanghai Trust

Shanghai International Trust Co., Ltd., established in 1981, is one of the earliest trust companies in China. In March 2016, the Bank completed the purchase of Shanghai Trust's equity by issuing ordinary shares to Shanghai Trust's original shareholder, Shanghai International Group Co., Ltd. and became the controlling shareholder of Shanghai Trust. Shanghai Trust has a registered capital of RMB5 billion, in which the Bank holds 97.33% shares. By actively advancing the business transformation, making every effort to cultivate the active management capability and constantly innovating the business and management modes, Shanghai Trust has built up its brand image on the market and witnessed a leading comprehensive strength among trust companies in China.

As at the end of the reporting period, assets under the consolidated management of Shanghai Trust amounted to RMB856,033 million and the net assets amounted to RMB21,065 million. During the reporting period, Shanghai Trust achieved an operating income of consolidated statement of RMB5,632 million and a net profit of RMB2,044 million.

(2) SPDB Financial Leasing

SPDB Financial Leasing Co., Ltd., established in May 2012, is China's first financial leasing company integrating financial capital and industry capital. SPDB Financial Leasing has a registered capital of RMB5 billion, in which the Bank holds 61.02% shares. Relying on the powerful platforms and advantageous resources of all shareholders, SPDB Financial Leasing fully exploits the functional characteristics of financial leasing as a combination of industry and finance on the one hand and a mix of funds and goods financing on the other hand. It focuses on the development of aviation and shipping, advanced manufacturing, emerging industries, energy and electric power, infrastructure, public utilities, and other fields, and is dedicated to providing customers with professional, featured and innovative financial leasing products and services.

As at the end of the reporting period, the total assets of SPDB Financial Leasing reached RMB103,186 million and the net assets amounted to RMB9,803 million. During the reporting period, SPDB Financial Leasing achieved a net operating income of RMB3,447 million and a net profit of RMB896 million.

(3) SPDB International

SPDB International Holdings Limited ("SPDB International") was opened officially in Hong Kong in March 2015. SPDB International has licenses of Type 1 "dealing in securities", Type 4 "advising on securities", Type 6 "advising on corporate finance" and Type 9 "asset management" in regulated activities from Hong Kong Securities and Futures Commission and is eligible to act as a listing sponsor and securities broker in Hong Kong. SPDB International is dedicated to forging itself into a global full-licensed investment banking business platform. Relying on the domestic market and marketing channels, it serves customers' cross-border investment and financing demands and provides them with a full package of whole-process, integrated financial services that cover shares, bonds and loans at home and abroad, as exemplified by listing sponsor, securities sales and trading, asset management, and investment consultation, thus achieving the linkage and complementation of investment banking business and commercial banking business.

As at the end of the reporting period, the total assets of SPDB International reached HKD18,092 million and the net assets amounted to HKD4,307 million. During the reporting period, SPDB International achieved an operating income of HKD866 million and a net profit of HKD500 million.

(4) AXA SPDB Investment Managers

AXA SPDB Investment Managers Co., Ltd. is a fund management joint venture established in August 2007. AXA SPDB Investment Managers has a registered capital of RMB1.91 billion, in which the Bank holds 51% shares. During the reporting period, the assets of AXA SPDB Investment Manager scaled up and the investment performance maintained stability.

As at the end of the reporting period, the AUM of AXA SPDB Investment Managers reached RMB345,463 million and the net assets amounted to RMB2,987 million. During the reporting period, AXA SPDB Investment Managers achieved an operating income of RMB1,175 million and a net profit of RMB318 million.

(5) SPD Silicon Valley Bank

SPD Silicon Valley Bank Co., Ltd., established in August 2012, is the first bank owning an independent legal person status and committing itself to serving technological innovation enterprises in China and also the first Sino-US bank. SPD Silicon Valley Bank has a registered capital of RMB2 billion, in which the Bank holds 50% shares. SPD Silicon Valley Bank devotes itself to serving China's technological innovation enterprises and builds a "technological innovation ecosystem" in China. It strives to become the premier bank of China's technological innovation enterprises and their investors.

As at the end of the reporting period, the total assets of SPD Silicon Valley Bank reached RMB23,852 million and the net assets amounted to RMB2,019 million. During the reporting period, SPD Silicon Valley Bank achieved an operating income of RMB487 million and a net profit of RMB51 million.

(6) SPD rural banks

SPD rural banks are banking financial institutions with an independent legal person status incorporated by the Bank by actively responding to the national call for supporting agriculture, farmers and rural areas and small and micro enterprises. The Bank incorporated its first SPD rural bank in Mianzhu earthquake-stricken area in Sichuan in 2008. As at the end of the reporting period, a total of 28 SPD rural banks were established in counties across 19 provinces and cities of the nation, two thirds of which are located in central and west areas of China. SPD rural banks are committed to serving agriculture, rural areas and farmers and supporting small and micro enterprises in the county areas, with a focus on farmer households and small and micro enterprises; in terms of market positioning, rural banks adhere to targeting county economy, making efforts and contributions in alleviating the borrowing difficulties of farmers and small and micro enterprises and expanding the reach of financial services to the countryside. In 2021, five SPD rural banks were listed among "China's Top 100 Rural Banks".

As at the end of the reporting period, 28 SPD rural banks possessed the total assets of RMB39.6 billion and the net assets of RMB4,853 million. Their deposit balance was RMB31,773 million and loan balance was RMB24,013 million. They had 1,225,800 settlement customers and 55,300 loan customers. With the agro-related loans and loans to small and micro enterprises accounting for over 88% of the total loans, SPD rural banks faithfully practiced the inclusive finance policy. During the reporting period, 28 SPD rural banks achieved an operating income of RMB916 million, up RMB34 million or 3.85% year on year, with net profit reaching RMB135 million.

(7) SPDB Wealth Management

SPDB Wealth Management Co., Ltd., established in January 2022 with a registered capital of RMB5 billion, is a wholly-owned subsidiary of the Bank. SPDB Wealth Management is based in Shanghai and radiates its service reach all over China. Optimizing capital allocation, it works to support the development and transformation of the Chinese economy. Relying on Shanghai's resource endowments and international status, it aims to grow into an asset management company with an international vision and influence. Meanwhile, spearheaded by the concept of inclusive finance, it tries to establish a diversified wealth management product lineup, which will enable more customers to benefit from the economic development.

3.10 Other Information Disclosed Pursuant to Regulatory Requirements

3.10.1 Interest receivable

As at the end of the reporting period, the details of interest receivables of the Group can be seen in the note disclosures of various financial assets and liabilities in financial statements.

In accordance with the Notice on the Revision and Issuance of the Format of Financial Statements Prepared by Financial Enterprises in 2018 issued by the MOF, interest on financial instruments accrued by the effective interest rate method is reflected in the corresponding financial instrument statement items, and interest due and receivable but not yet collected is presented in the "Other assets" item.

Bad-debt provision for interest receivable

During the reporting period, the Group examined the interest receivable with the expected credit loss model as the basis and set aside allowance for losses of corresponding financial instruments. Details of the changes in the bad-debt provision for interest receivable can be seen in "Note V. 15. Assets impairment provision".

3.10.2 Repossessed assets and provision for impairment

In RMB millions

	End of the reporting period	**End of last year**
	Amount	Amount
Original value of repossessed assets	750	888
Less: Allowance for repossessed asset impairment	138	168
Net value of repossessed assets	612	720

3.10.3 Financial assets and liabilities measured at fair value

The internal control system in connection with measurement of fair value: For financial instruments traded in active markets, the determination of fair value is based on quoted market prices preferentially. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques such as valuation model or third-party quotation.

The valuation techniques include the techniques referring to prices used in market transactions recently conducted by all parties being familiar with the situation and making the transaction voluntarily, the current fair value of other financial instruments that are essentially the same, and the discounted cash flow method. The valuation techniques should make use of market parameters as much as possible. However, when there are no market parameters, valuation should be made for credit spread, market volatility and correlation of the counterparty. Variation of these relevant assumptions will have impact on fair value of these financial instruments.

In RMB millions

Items in connection with the measurement of fair value	31 December 2020	Profit/loss on changes in fair value during the current period	Accumulated changes in fair value recorded into equity	Impairment accrued during the current period	31 December 2021
Financial assets					
1. Precious metals	44,969	-765	-	-	13,151
2. Held-for-trading financial assets	549,149	3,938	-	-	526,034
3. Derivative financial assets	63,589	-29,816	-	-	33,773
4. Loans measured at fair value through profit or loss	18,280	94	-	-	46,149
5. Loans measured at fair value through other comprehensive income	422,508	-	673	-232	484,192
6. Other creditor's rights investments	577,786	-491	366	-513	479,619
7. Other equity instrument investments	5,835	-	362	-	7,082
Total financial assets	1,682,116	-27,040	1,401	-745	1,590,000
Financial liabilities					
1. Held-for-trading financial liabilities	16,057	-839	-	-	31,280
2. Derivative financial liabilities	61,146	-31,618	-	-	29,528
Total financial liabilities	77,203	-32,457	-	-	60,808

Note: This table has no consequent articulation.

3.10.4 Entrusted asset management, asset securitization and various agency and custody

businesses as well as their profit or loss within the reporting period

3.10.4.1 Wealth management business and its profit or loss in the reporting period

The Bank focused on enhancing digitalized and meticulous management standards, kept improving the structure of products, and vigorously introduced wealth management products from the external sources. Such measures as enriching the wealth management products shelf, transforming net-value products at a faster pace, launching products exclusive to well-divided customer groups, building up professional competence, and being always there for customers were adopted to promote the wealth management business towards stable, sound development. During the reporting period, the wealth management business reaped an income of RMB6,757 million.

3.10.4.2 Asset securitization and its profit or loss in the reporting period

During the reporting period, centered on the business objectives of "reducing NPAs, enhancing asset quality, and increasing liquidity", the Bank actively facilitated credit asset securitization to further intensify active management of assets and liabilities by means of asset securitization. Throughout the year, it issued six credit asset securitization projects and underwrote 64 asset securitization projects totaling RMB36,830 million as the lead underwriter.

3.10.4.3 Custody business and its profit or loss in the reporting period

During the reporting period, the Bank carried out a number of custody businesses such as securities investment funds custody, custody of assets of securities company, custody of separately managed account (SMA) fund products, custody of bank wealth management products, trust custody, custody of private equity funds, custody of insurance funds, custody of enterprise annuity and benefit schemes, custody of customer funds, custody of QDII/QFII products, custody of assets of futures company, and custody of direct equity. At the end of the reporting period, the asset custody business had a scale of RMB14.47 trillion, an increase of 4.86% year on year. During the reporting period, the business generated a total of RMB3,103 million of custody fee income.

3.10.4.4 Trust business and its profit or loss in the reporting period

In terms of the trust business, the Bank accelerated the development of private banking business. Primarily aimed at helping private banking customers with value preservation and appreciation of their assets, it transformed and upgraded the lineup of private banking products up to professional standards, shifted its focus from the traditional product sales to the asset allocation, and set up a comprehensive trust product line based on the investment logic of "assets, strategies, and teams". During the reporting period, the agency trust products exceeded RMB66.8 billion, of which family trust business crossed the RMB10 billion mark, and the agency trust business achieved an income of RMB665 million.

3.10.4.5 Funds and securities (agency) business and its profit or loss in the reporting period

In terms of agency funds and securities business, the Bank selected key funds as partners, launched a reserve of selected funds including "Cornerstone Program" and "Kao Pu Selection", focused on marketing long-term equity funds, and guided customers to pursue a long-term approach to investment. A non-interest income of RMB2,219 million was achieved from fund agency business with retail customers in the reporting period.

As for the agency insurance business, the Bank actively transformed its installment insurance business. During the reporting period, it generated a paid-in premium income of RMB950 million.

3.10.5 Off-balance-sheet items that might exert material impact on financial position and business performance of the Bank

In RMB millions

The Group	**End of the reporting period**	End of last year
Credit commitments	1,570,741	1,368,531
Incl.: Bank's acceptance bill	617,735	553,527
Letters of credit issued	192,522	176,517
Letters of guarantee issued	113,363	112,564
Credit card and loan commitments	647,121	525,923
Capital commitments	21,109	13,887

3.10.6 Liabilities quality

In 2021, the Group followed the liability management policy centered on structure adjustment and cost reduction and achieved some results in liability operation. First, thanks to the meticulous operation, the proportion of customer deposits was effectively improved throughout the year, and the stability of liabilities increased. Second, the proportion of current deposits further rose, which in turn drove down the interest rates of deposits. Third, a diversity of financing methods in local and foreign currencies, such as deposit taking, interbank borrowing, and bond financing, were harnessed to achieve a balance between liability costs and total liabilities.

As at the end of the reporting period, the total liabilities of the Group reached RMB7,458.5 billion, representing an increase of RMB154.1 billion or 2.11%, as compared with the end of the previous year. The total assets of the Group rose by 2.35% year on year. There formed a match between assets and liabilities in terms of growth rate. Deposits accounted for 59.03% of total liabilities, an increase of 3.22 percentage points, and liability sources became more stable. Due to and placements from banks and other financial institutions made up 17.17%, down 4.71 percentage points from last year. During the reporting period, the average cost ratio of liabilities was 2.29%, a decrease of 0.04 percentage point compared with a year before.

3.11 Discussion and Analysis on Future Development

3.11.1 Industry developments during the reporting period

As at the end of the reporting period, financial institutions across the Chinese banking industry posted an asset balance of RMB337.66 trillion, up 8% year on year, and registered the total liabilities of RMB308.38 trillion, up 7.7% year on year. The regulators continued to tighten risk prevention and control by releasing a series of policies, such as the Provisions on the Additional Regulation of Systemically Important Banks (Trial), the Notice of the China Banking and Insurance Regulatory Commission on the Issuance of Interim Measures for the Implementation of Recovery and Resolution Plans of Banking and Insurance Institutions, and the Measures for the Administration of Total Loss-absorbing Capacity of Global Systemically Important Banks, which put forward more demanding requirements for banks in terms of capital management and risk control. Meanwhile, the regulators also issued a number of policies in the key areas, including real estate, hidden local debts, internet finance, bank liability business, and wealth management business, which further prompted banks to strengthen their risk prevention and control in the operation and various business links, thus ensuring the healthy and sustainable development of the industry.

3.11.2 Landscape and development trend of the industry

In 2021, Chinese banking operated steadily as a whole, with the asset scale expanding and the asset quality improving steadily. The banking industry continued to serve the real economy with high quality and efficiency. RMB loans increased by RMB19.95 trillion, of which RMB623.4 billion went to manufacturing enterprises, inclusive loans extended to small and micro enterprises surged by 24.9%, and agro-related loans grew by 11.2%. The banking industry continued to prevent and resolve financial risks with intensified efforts, disposing of NPAs worth RMB3.1 trillion. At present, commercial banks are experiencing unprecedented changes. A rough look at the strategic plans of different commercial banks for the 14th Five-year Plan period could reveal that wealth management, green finance, technology-enabled operation are some key directions for their future development. In this sense, commercial banks are becoming more asset-light, greener, and more intelligent at a faster pace.

3.11.3 Development strategy of the Bank

In 2021, the first year of the 14th Five-year Plan period, the Bank prepared its strategic development plan and innovation plan from 2021 to 2025, given the new changes in and requirements raised by the internal and external environment, which clearly defines the strategic goal of “growing into a globally competitive, top-notch joint-stock commercial bank which moves early to secure a leading position in promoting the finance sector toward high-quality development in the new era”. With long-term goals in mind, the Bank will allow the strategic objectives and overall planning to play an increasingly leading role and focus on seeking digitalized, group-wide, internationalized, market-based, meticulous operation. Taking high-quality development as the mission, service quality as the fundamental, and market as a guide, it will rely on customer experience and digital technology as two forces to constantly drive up the core competitiveness, industry-wide leadership, and global influence, and accelerate the asset-light, carbon peaking and carbon neutrality, and digitalized transformations. In the process, SPD Bank will build itself into a trustworthy, preferred bank for customers, a high-quality blue-chip of the capital market, an attentive employer who shares development results with employees, a systemically important bank which boasts of operational compliance and causes no worry for regulators, and a respectable and trusted corporate citizen. All in all, it will strive to become a role model that creates both corporate value and social value.

3.11.4 Management measures in 2022

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will thoroughly implement the decisions and arrangements made by the CPC Central Committee and the State Council, the core message delivered at the Central Economic Work Conference, and the requirements put forth by the Shanghai Municipal Government and regulatory authorities. As per the general working principle of "putting stability in the first place and seeking progress amid stability", it will actively serve the real economy, resolutely guard against financial risks, follow the main line of "holding fast to long-term commitments, laying a solid foundation, advancing overall, and playing the empowering role of digital means", and remain oriented towards targets, problems, projects, and results. In the process, it will make all-round progress towards the strategic goal of growing into a globally competitive, top-notch joint-stock commercial bank and break new ground for its development.

- **Increasing the supply of high-quality assets.** It is important to seize the opportunities presented by the macro policies for stabilizing growth this year. Focusing on the needs of the real economy, the Bank will accelerate the acquisition of acceptable assets, intensify the support for the key areas and weak links in the real economy, such as inclusive finance, manufacturing, and new economy, adjust and optimize the asset structure steadily, press ahead with the management of total customer financing, and fully integrate all kinds of financing services to meet customers' all-round and all-channel financial needs.

- **Working harder to expand settlement deposits.** Oriented towards customer needs, the Bank will continuously optimize the products and processes associated with various settlement services, allow digital technology, industry insight, and customer experience monitoring to play a better role in building the "mega settlement" scenarios at a faster pace, and provide customers of various types with a wide range of one-stop, high-quality services, such as payment and settlement, cash management, trade financing, agency payroll service, acquiring, and custody service. All of these moves are expected to fuel the growth of settlement deposits.

- **Accelerating the expansion of customer base.** Developing a "user-oriented mindset" and increasing the adoption of digital technology, the Bank will work hard to build a full-chain customer operation system, both online and offline. It will move faster to grow its customer base and carry out hierarchical and categorized customer management with quality and efficiency further assured, bring retail banking into an API-MAU-AUM cycle, convert long-tail customers into mid- and high-end ones to boost development, and do better in industry insight, scenario integration, and business penetration to manage interbank customers in an in-depth and efficient manner.

- **Continuously casting featured businesses as shining brands.** To become professionally competent, the Bank will develop business lines such as scientific and technological innovation, green finance, investment banking, and free trade toward asset-light, continuously increase the input in wealth management and private banking, optimize the product structure and customer experience, and drive the growth of both AUM and fee-based income. It will further build up featured businesses such as SPDB Risk Hedging, interbank sales, asset management, wealth management, and custody service.

- Strengthening risk compliance and internal control management. Pursuing a problem-oriented approach, the Bank will move faster to improve the quality and efficiency of risk compliance and internal control management, to ensure operational stability and sustainability. It will vigorously dispose of NPAs, mitigate the existing and new risks at a faster pace to improve asset quality continuously, increase data application, enhance comprehensive risk management capability, and refine the compliance audit management system to consolidate the foundation of internal control management.

- Building digital platforms in great depth. Various scenarios, processes, and services will be integrated to build an industry-specific digital finance “SaaS” platform, which is aimed to explore new modes for platform-based, ecological operation. The Bank will build an enterprise-level internal management platform and big data capabilities, to activate data factors, empower business development, and make great strides in the building of a panoramic bank.

- Placing high-quality development on a solid management foundation. Concrete and meticulous efforts will be made to get various aspects of underlying work, such as assets and liabilities, operation, human resources management, and data governance, done properly. A solid technological foundation will be laid to convert various types of innovations into productivity faster, and steady progress will be made towards the group-wide and internationalized operation.

3.11.5 Possible risks confronting the Bank

Economic and financial landscape: Globally, the still-raging COVID-19 pandemic and the increasing uncertainties in political, economic, and financial terms slow down the recovery pace of the world economy. Domestically, unbalanced and inadequate economic development is exposing the stress of the transformation and adjustment drive nationwide. The Chinese economy is under triple pressure of demand contraction, supply shock, and weakening expectations. Coupled with the local flare-ups of the COVID-19, some industries and regions will still be severely impacted. In this context, commercial banks will continue to operate under pressure.

Supervision environment: Commercial banks are imposed with more prudential regulatory requirements in areas such as credit supply, comprehensive risk management, and real estate finance. Meanwhile, they have to meet more demanding regulatory standards with respect to wealth management products, asset management business, shadow banking, and capital requirements, among other aspects. These two facts require them to transform operation modes and attain high-quality development at a faster pace.

Competition environment: As the interest rate’s market-based reform and the financial disintermediation process advance, commercial banks face considerable challenges in terms of customer operation, product pricing, asset acquisition, and risk management, among other domains. Driven by the goals of “carbon peaking and carbon neutrality”, the Chinese economy and society are going green at a faster speed, which will radically change the economic structure, energy structure, and industrial structure and put forward new requirements for the environmental and climate-related risk management capabilities of commercial banks.

3.12 Risk Management

3.12.1 Organizational structure of the Bank for risk management

The Bank establishes a well-structured risk governance framework with clearly defined responsibilities to specify the division of duties among the Board of Directors, the Board of Supervisors, Senior Management, and functional departments in terms of risk management, builds a risk management architecture that matches the risk profile of the primary-level outlets, and puts in place a multi-level and interconnected operation mechanism with effective checks and balances, all of which ensure that the policies, systems, and processes related to comprehensive risk management can be implemented at the Head Office and branches of all levels.

The Board of Directors assumes the ultimate responsibility for comprehensive risk management and the Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee) under it conducts regular assessments of the Bank's risk management status and risk tolerance and proposes suggestions for improving risk management and internal control. The Board of Supervisors assumes the supervisory responsibility for comprehensive risk management. The Senior Management carries out comprehensive risk management by implementing the resolutions of the Board of Directors and receiving the oversight of the Board of Supervisors. The Risk Control Committee of the Head Office, as a special committee under the Senior Management, conducts comprehensive risk management in accordance with the Bank's business strategy and overall objectives for risk management. Under the Risk Control Committee of the Head Office are the Credit Approval Committee, the Special Assets Management Committee, the Equity Investment Decision-making Committee, the Product Risk Review Committee, the Anti-money Laundering Steering Group, and the Credit Information Security Steering Group.

3.12.2 Risks facing the Bank

As a special enterprise engaged in currencies and credit, the Bank faces the following major risks in operation: credit risk, liquidity risk, market risk (including interest rate risk and exchange rate risk, etc.), operational risk (including settlement risk, technical risk, and system risk, etc.) as well as compliance risk, legal risk, IT risk, strategic risk, reputational risk, country risk, etc.

3.12.3 Statement on credit risk

3.12.3.1 Policy making

First, the Bank formulated the new three-year risk appetite for 2021-2023 at the Head Office level and guided all subsidiaries and overseas branches to compile their respective risk appetites. Thanks to these efforts, policies were put in place in light of actual business needs, and there formed a "1+3+7" framework of risk appetite policies that covered every aspect of the Group.

Second, the Bank exploited the rigid constraints of industry limits, allowed policies to play their guiding roles efficiently, and implemented the "mandatory + instructive" industry limit management on all fronts, to bring the limits for industries with overcapacity under centralized, coordinated and computer-controlled management.

3.12.3.2 Credit extension management

First, the Bank closely followed up with the macro economic and financial situation, earnestly implemented the requirements set forth by financial regulators, prudentially conducted credit approval to protect the asset quality and security, and inspected the quality of new credit businesses to shore up the risk control capabilities.

Second, the Bank continued to carry out credit management in a more intensive way. Driven by the "unification on six fronts", it started from penetrating evaluation, professional appraisal, team building, and system building to consolidate the management foundation in every aspect and provide an institutional guarantee for high-quality development.

Third, advocating joint action between the Head Office and branches, the Bank carried out research on the industries affected by the goals of carbon peaking and carbon neutrality and the hotspot areas of the national economy, did better in supporting the development of the real economy, and adjusted the business restructure.

Fourth, the Bank started credit review earlier than before, exercised risk control and formulated plans for key areas, strategic customers, and major projects as early as possible, and actively guided the supply of acceptable assets to improve the efficiency of credit operation continuously.

Fifth, the Bank made every effort to enhance professional competence and ensured all credit-granting personnel could steadily sharpen their professional skills through such methods as practice assessment, hierarchical training, and expert consultation.

Sixth, the Bank kept conducting onsite inspections on credit extension management of its branches and sub-branches, enhancing the quality and compliance control over credit business.

3.12.3.3 Risk forewarning

To create a risk forewarning system that can send "precise signals", cover "full processes", and emphasize "application", the Bank focused on making risk forewarning more comprehensive, effective, and timely in the following aspects:

First, a group-wide risk forewarning information sharing mechanism was established to break the information barriers among institutions and business lines, a prerequisite for realizing the customer-centered penetrating monitoring and chain-like forewarning management.

Second, a real-time risk forewarning information release mechanism was established, so that the information on customers' material risks could be released without any delay, making it possible for the Bank to respond to and manage such information in a more timely and efficient way.

Third, risk forewarning dimensions were further enriched to conduct comprehensive, timely, and dynamic risk scanning and tracking of customers.

3.12.3.4 Asset resolution

The Bank made greater efforts in collecting and resolving NPLs, striving to dispose of risk-bearing loans more efficiently.

First, it made full use of diversified disposal means such as cash recovery, debt-to-equity swap, debt repayment with non-cash assets, debt restructuring, loss write-off, asset securitization, risk elimination and exit, and developed the debt liquidation plan for each account and advanced the implementation.

Second, it intensified the supervision, guidance and management of key branches, business fields, and projects in terms of NPA disposal, continuously refined the asset resolution mechanism, and strove to enhance the performance in NPA disposal.

Third, it followed the guidance of related policies, intensified the use of innovative means, expanded disposal channels, and increased collaboration among different business segments, with an aim to streamline the NPA disposal process towards the meticulous and normative operation.

3.12.3.5 Write-off of loss loans of the Bank during the reporting period

During the reporting period, based on the Administrative Measures of SPDB on Write-off of Asset Losses, the total amount of loss loan assets as approved by the Bank's Board of Directors and imposed with the accounting treatment for write-off was RMB83,658 million. According to the principle of "account cancellation, case recording and existence of right", the Bank continued to maintain the right of recourse to minimize the credit fund loss.

In 2021, to intensify NPA recovery and disposal in an all-around way, the Bank made better use of diversified means, such as increasing cash recovery, strengthening cooperation among business segments, introducing more disposal channels, and piloting personal loan transfer. Throughout the year, it recovered NPAs worth RMB36.04 billion, an increase of 12.98% year on year.

3.12.4 Statement on liquidity risk

The objectives of liquidity risk management of the Bank are set to get adequate funds on time and at a reasonable cost as needed by the repayment of matured debts, the performance of other payment obligations and the satisfaction of fund needs arising from normal business with a view to ensuring liquidity safety; to lower liquidity cost and achieve the balance between the total amount and structure of assets/liabilities and the balance between liquidity and profitability through proactive management; and to effectively withstand the shocks of systemic liquidity risk.

During the reporting period, the Bank kept layered, beforehand, and balanced management of liquidity risk in line with the principle of aggregate balance and structural equilibrium. It carried out real-time monitoring of daily position accounts in local and foreign currencies, made a centralized allocation of positions in local and foreign currencies, and established a pre-declaration mechanism for large-amount positions to monitor the total liquidity level. It prepared a cash flow gap table on a daily basis, used the gap management method to predict cash flow gap changes in on-and-off-balance sheet items in the future, and dynamically conducted on- and off-balance sheet liquidity risk assessment. The Bank also, based on its own liquidity risk appetite and risk limit requirements, made smooth and dynamic adjustments to liquidity gaps in advance through active financing arrangements and asset & liability portfolios, thus realizing a gross balance and structure equilibrium in the business development and effectively meet the requirements for liquidity management goals.

During the reporting period, the Bank kept a close eye on the macro-economic changes, kept abreast of the regulation effects of credit policies and monetary policies, timely adjusted the direction, size and structure of cash flow gap, and actively prevented liquidity risk based on its own structure of asset and liability and general capital balance, thereby realizing a sound business operation and keeping the liquidity at a reasonable and balanced level. A host of specific strategies were adopted. First, the Bank strengthened liquidity analysis and forecast to achieve dynamic monitoring and forward-looking risk management. It tracked the liquidity trend, managed the bank-wide assets and liabilities on a rolling basis, prevented and controlled liquidity risk from the source, took the initiative to allocate assets and liabilities, and harnessed asset-liability management tools such as prices to guide business development in line with asset-liability allocation strategies. Hence, the scale and term structure of assets and liabilities could meet liquidity risk management requirements, and struck a balance among liquidity, safety and profitability. Second, the Bank made all-out efforts to prevent liquidity risk to ensure the safety of provisions. Combined with business development, it continuously improved the position forecasting mechanism, enhanced the position forecasting accuracy, and tightened the daytime position monitoring to safeguard the provisions. It stepped up active risk forewarning and forecasting, closely monitored liquidity risk-related indicators, revealed relevant risks in a timely manner, made strategic adjustments accordingly, to ensure that the bank-wide liquidity risk indicators could stay within the risk appetite ballpark set out by the Board of Directors. It regularly conducted stress tests and emergency drills to better cope with liquidity risk events. Third, the Bank continued building liquidity risk systems and teams to improve the quality and efficiency of risk management and shored up efforts to build information systems and professional teams to enhance the technical capabilities for liquidity risk measurement, monitoring and stress testing. All of these moves helped the Bank manage liquidity risk in a more effective, forward-looking, and proactive way.

As at the end of the reporting period, the proportion of liquidity available across the Group calculated by the regulatory standards was 49.63%; the proportion of liquidity available across the Bank was 49.45%, up 3.5 percentage points over the end of last year; the RMB excess reserve ratio stood at 1.62%, down 2.01 percentage points over the end of last year; the liquidity coverage ratio of the Group posted 140.34%, and the liquidity coverage ratio of the Bank was 140.07%, up 8.46 percentage points over the end of last year. In brief, the overall liquidity was appropriate and robust.

3.12.5 Market risk management conditions

In 2021, the Bank adapted itself to changes in the market, business landscape, and regulatory requirements, by continuing to optimize market risk management and enhance risk measurement capabilities. First, it improved the management of market risk limits, further optimized the layered forewarning mechanism for limits, strengthened the internal control management of business lines, and coordinated the first and second lines of defense for joint risk prevention and control. Second, it refined the market risk stress testing program, expanded the coverage of market risk stress tests according to business developments and changes in the external environment, optimized the setting of stress testing scenarios, and made stress testing more meticulous. Third, it actively promoted the implementation of the Basel III-based market risk project and completed the development of the main functions of a new market risk measurement system. Fourth, it closely monitored financial market trends, strengthened process management, and conducted more effective risk monitoring. There were no material risk events throughout the year.

As at the end of the reporting period, the Bank's consolidated market risk capital was RMB3,369 million under the standardized approach and capitals occupied by general risk and specific risks are as follows.

In RMB millions

Date	General risk capital					Specific risk capital	Total
	Interest rate risk	Exchange rate risk	Options risk	Commodity risk	Stock risk		
31 December 2021	1,724.21	689.38	216.35	212.46	33.89	492.86	3,369.15

3.12.6 Statement on operational risk

Operational risk refers to the risk of losses caused by an imperfect or problematic internal procedure, staff or IT system and external events. Operational risk includes legal risk but excludes strategy risk and reputational risk.

During the reporting period, with increasing external fraud risk and regulatory punishments as well as increasingly rich and complicated businesses and business procedures, the Bank witnessed mounting operational risk. Relevant departments and branches developed corrective measures to address some key risk indicators with abnormal changes. At the same time, to implement regulatory requirements and further optimize the operational risk management system, the Bank launched a project to adopt the new standardized approach to operational risk under Basel III, carried out onsite inspections and training sessions for primary-level institutions and subsidiaries, and put forth suggestions to rectify the problems identified in the inspections. Operational risk was controllable in large.

3.12.7 Statement on other risks

3.12.7.1 Compliance risk

Centering on the strategic development plan for the 14th Five-year Plan period, the Bank prioritized improving the effectiveness of compliance and internal control management, pushed forward with the reform of compliance management system, consolidated the foundation of compliance management, carried out compliance work in digital means, strengthened compliance warning & education, and spared no effort to ensure business compliance. During the reporting period, the Bank's compliance risk management was in a good shape overall.

3.12.7.2 Anti-money laundering (AML)

Spearheaded by the risk-based management approach and closely centering on AML-related regulatory requirements, the Bank took the effective money laundering risk management as the goal and started from the control over customers with high money laundering risk to introduce a host of concrete measures, such as improving AML mechanisms, strengthening process control, and focusing on awareness enhancement and training. As a result, it made steady headway in AML work. For example, it wrapped up the money laundering risk self-assessment one year ahead of schedule and pioneered a dual assessment mechanism where risk assessment and self-examination/self-correction could go in parallel. The Bank fully utilized the self-assessment results of internal institutions in terms of money laundering and terrorist financing risks to optimize the allocation of AML and counter-terrorist financing (CTF) resources, formulate and implement strategies, policies and procedures that match its risk profile, and get the AML work done in a more targeted and effective manner. Meanwhile, it made good use of AML self-inspection results to promptly tweak risk control measures, precisely plug risk loopholes, and erect a solid AML defense line, all of which would safeguard its high-quality development. The Bank strictly acted on the arrangements of the PBC to crack down on money laundering crimes and actively cooperated with the competent authorities of the State to clamp down on various criminal activities such as telecommunication fraud, virtual currency, and illegal fundraising. It successfully prevented or intercepted a number of major illegal and criminal activities, effectively protecting the public's funds, fully performing the AML duties of financial institutions and doing its bit to maintain financial stability.

3.12.7.3 Legal risk

Assuming the primary responsibility for strengthening the rule of law, the Bank carried out corporate governance according to the law on all fronts. It continued to identify and forestall legal risks from innovative businesses and key areas through legal review; it improved the standard contract system and carried out on-site inspections of contract management activities, in a bid to improve the quality and efficiency of contract management; it worked harder to build the legal management system where contracts, litigation cases, and intellectual property rights (IPRs) could be managed in digital means; it created a think tank of internal and external corporate lawyers and built up the legal risk management capacity; it seized the opportunities presented by the implementation of the Civil Code and other important laws/regulations to enhance the awareness of governance by law among all employees, and assumed the responsibilities for enhancing legal awareness vigorously.

3.12.7.4 IT risk

IT risk is on the rise as banks become increasingly dependent on information technology (IT) and there is a growing variety of IT means. During the reporting period, the Bank worked hard on improving its IT risk management system, conducted special IT risk assessments on the outsourcing of technological development, business continuity management and many other aspects, and put forward the suggestions on enhancing risk management and control. Efforts were made to continue monitoring and reporting IT risk indicators, to further strengthen the business continuity management of the Head Office and branches, and to do better in coping with business discontinuity events.

3.12.7.5 Business continuity management

In response to the pandemic prevention, the Bank strengthened business continuity management, strictly implemented various pandemic prevention and control measures, and promptly opened the standby business site of the Head Office in Zhangjiang to enhance the resilience of business operation. The Bank did not incur any business interruption event due to the pandemic.

3.12.7.6 Strategic risk

Sticking to the strategic management model of "strategy – planning – budget – appraisal", the Bank increased the leading role of strategies in the development, and closely followed two main lines of high-quality business development and efficient risk control to get various aspects of work done properly. Overall, the Bank's strategic mentality fitted well with the situation changes and national strategies, with increasing force of strategy execution and ability to control strategic risk. The strategic risk was kept steady and controllable in the period.

3.12.7.7 Reputational risk

The Bank persistently improved its reputational risk management mechanism, carried out reputational risk screening and training, intensified the public opinion management at key nodes, and reinforced the full-process management of reputational risk, thus making reputation management more systemic. Besides, it stepped up new media management and application, which continuously raised the scale and influence of the positive publicity. During the reporting period, the reputational risk was controllable overall.

3.12.7.8 Country risk

During the reporting period, in order to cope with the extremely complex external environment, the Bank continued to consolidate the foundation of the country risk management process. It adopted a number of effective measures, in the hopes of improving the country risk limits, strengthening country risk monitoring, developing country risk management tools, and conducting country risk stress tests. As at the end of the reporting period, the country risk exposure was distributed reasonably. Related limits were performed in a satisfactory way. In brief, the country risk was controllable in general.

3.13 Significant Impacts of Changes in Interest Rate, Exchange Rate, Tax Rate, and New Policies and Regulations on Commercial Banks' Operation and Profitability

First, the interest rate liberalization reform achieved remarkable results. In 2021, the loan prime rate (LPR) reform continued to play its part and drove down the comprehensive financing costs of enterprises steadily, with the weighted average interest rate of corporate loans maintaining a historically low level. In this way, finance could support the real economy in an increasingly effective way. While the LPR reform continued to create benefits for enterprises, the central bank of China further optimized the deposit interest rate supervision measures, improved the way used to determine the self-regulatory caps on deposit interest rates, guided the medium- and long-term deposit interest rates to go down, and stabilized the costs of bank liabilities, so that a policy synergy could be generated to lower the real loan interest rates further and benefit the real economy. As the market-based interest rate reform kept advancing, commercial banks were required to further analyze and forecast interest rate movements, continuously increase the credit supply for high-quality enterprises, especially entity enterprises, optimize the deposit structure, keep interest rate spreads at a reasonable level, expand the scope of fee-based business, and build up the ability to achieve revenue growth.

Second, the market-based RMB exchange rate reform was further pressed forward. In 2021, the sustained high RMB exchange rate was underpinned by the continued economic recovery, highly resilient exports, and strong corporate willingness to settle foreign exchange in China. The central bank of China adjusted the reserve requirement ratio (RRR) for foreign currency deposits twice, which reversed the expectations for the unilateral appreciation of RMB. Against the backdrop of the still intricate situation at home and abroad and the diverging monetary policies between China and the US, commercial banks should be alert to the exchange rate risks caused by the significant inflows and outflows of cross-border funds due to the turbulence in global financial markets, and further enhance their exchange rate risk management, cross-border operations, and global asset allocation.

Third, continuous tax cut and fee reduction benefited more economic entities. In 2021, China focused on supporting medium, small and micro-sized enterprises, scientific and technological innovation, and the development of the real economy. It continued to implement various tax/fee relief policies to promote innovative development and invigorate market entities. The improved taxation and business environment brought many benefits, which included lower production and operation costs and greater risk resistance on the front of enterprises, as well as reduced credit business risks and proportion of NPAs and more considerable progress towards high-quality development on the side of commercial banks.

Fourth, the macro-prudential assessment (MPA) policy framework was codified. In 2021, the PBC issued the Guidelines on Macro-prudential Policy (for Trial Implementation), which defines the concepts related to the macro-prudential policy, elaborates the composition of the macro-prudential policy framework, and puts forward the support and policy coordination needed to implement the macro-prudential policy, thus further improving the macro-prudential-related policy framework and governance mechanism. Macro-prudential assessment promoted the healthy development of the financial system, further refined the supervision of systemically important financial institutions, and prompted commercial banks to keep a close watch on the risk areas and weak links in their operation and management activities, maintain robust operation, and do better in risk prevention and mitigation.

3.14 Proceeds from Fund-raising Activities

On 23 September 1999, the Bank publicly issued 400 million RMB ordinary shares, with issuing price per share of RMB10, and after the issuing cost was deducted, the fund actually raised was RMB3.955 billion.

On 8 January 2003, the Bank issued additional 300 million ordinary shares, with issuing price per share of RMB8.45, and after the issuing cost was deducted, the fund actually raised was RMB2.494 billion.

On 16 November 2006, the Bank issued 439,882,697 more RMB ordinary shares, with issuing price per share of RMB13.64, and after the issuing cost was deducted, the fund actually raised was RMB5.91 billion.

On 21 September 2009, the Bank privately issued 904,159,132 RMB ordinary shares, with issuing price per share of RMB16.59, and after the issuing cost was deducted, the fund actually raised was RMB14.827 billion.

On 14 October 2010, the Bank privately issued 2,869,764,833 RMB ordinary shares, with issuing price per share of RMB13.75, and after the issuing cost was deducted, the fund actually raised was RMB39.199 billion.

On 28 November 2014, the Bank privately issued 150 million preference shares, with carrying value per share of RMB100, and after the issuing cost was deducted, the fund actually raised was RMB14.96 billion.

On 3 March 2015, the Bank privately issued 150 million preference shares, with carrying value per share of RMB100, and after the issuing cost was deducted, the fund actually raised was RMB14.96 billion.

On 18 March 2016, the Bank issued 999,510,332 RMB ordinary shares to purchase 97.33% shares of Shanghai Trust, with issuing price per share of RMB16.36 and a consideration of RMB16.352 billion.

On 4 September 2017, the Bank privately issued 1,248,316,498 ordinary shares, with issuing price per share of RMB11.88, and after the issuing cost was deducted, the fund actually raised was RMB14.817 billion.

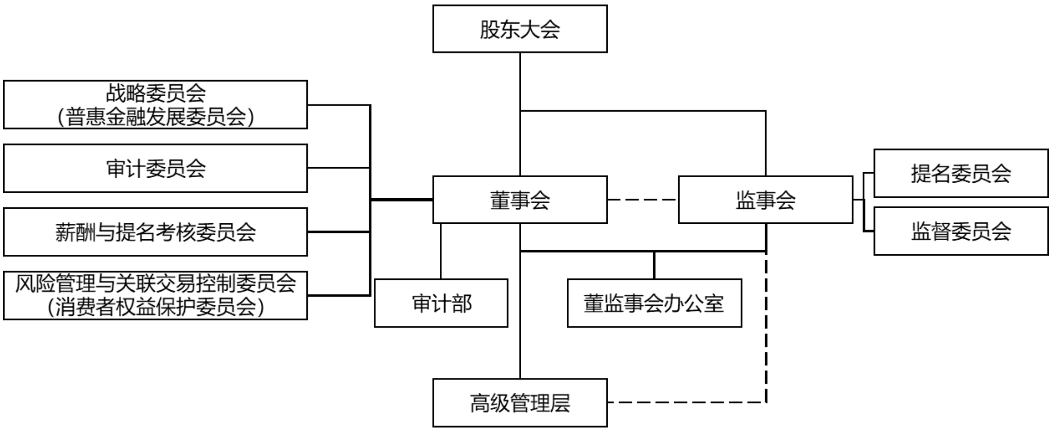
On 12 July 2019, the Bank finished issuing the 2019 Undated Additional Tier 1 Capital Bonds of Shanghai Pudong Development Bank Co., Ltd. in RMB30 billion in the national interbank bond market, and after the issuing cost was deducted, the funds actually raised were RMB29.996 billion.

On 1 November 2019, the Bank finished issuing the A share convertible corporate bonds. The proceeds amounted to RMB50 billion and the net funds stood at some RMB49.912 billion after deducting the issuance expense. On 15 November 2019, the abovementioned A share convertible bonds were listed on SSE (stoke name: SPDB Convertible Bond, stock code: 110059).

On 23 November 2020, the Bank finished issuing the 2020 Undated Additional Tier 1 Capital Bonds of Shanghai Pudong Development Bank Co., Ltd. in the national interbank bond market, with the issuance amount of RMB50 billion. After deduction of issuance expenses, the proceeds amounted to RMB49,993 million.

Section IV Corporate Governance

Corporate Governance Structure



Strategy Committee (Inclusive Finance Development Committee) Audit Committee Nomination and Remuneration Appraisal Committee Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee)	Shareholders' Meeting Board of Directors Audit Department Senior Management	Board of Supervisors Secretariat to the Board of Directors & Supervisors	Nomination Committee Supervision Committee

4.1 Basic Situation of Corporate Governance

During the reporting period, the Bank further improved the corporate governance structure, upheld the Party leadership and incorporated it into every aspect of corporate governance, and learned from mature international experience in this regard. It endeavored to build a reasonable equity structure, where various governance entities could operate as per the principles of "statutorily-defined and transparent rights and responsibilities, coordinated operation, and effective checks and balances" to realize the equalization and maximization of interests of all stakeholders, thus protecting interests of finance consumers, winning returns for shareholders, and creating values to society. In the process, the Bank strove to build itself into a globally competitive, top-notch joint-stock commercial bank with adequate capital, strict internal control, safe operation, and good benefits.

4.2 Independence of the Bank from the Controlling Shareholders in Terms of Business, Personnel, Assets, Organization and Finance

The Bank has no controlling shareholder. The largest consolidated shareholder of the Bank was Shanghai International Group Co., Ltd. Shanghai International Group Co., Ltd. and its controlling subsidiaries held 29.67% shares of the Bank on a consolidated basis. Shanghai International Group Co., Ltd. and the Bank were totally independent in assets, personnel, finance, organization and business. Important decisions of the Bank were made and implemented by the Bank independently, and the largest shareholder did not occupy funds of the Bank by any means or require the Bank to provide guarantee for others.

	Independent and integral or not	Description	Influence on the Bank	Improvement measures
Business independence and integrity	Yes	The Bank runs business independently and features a complete business structure.	-	-
Personnel independence and integrity	Yes	The Bank remains independent in terms of labor, personnel, salary management, and other aspects. President, Vice Presidents, Secretary to the Board of Directors, CFO, and other Senior Management members all are paid by the Bank. None of them receives salaries from the largest shareholder unit.	-	-
Asset independence and integrity	Yes	The Bank possesses the independent premise and supporting facilities.	-	-
Institutional independence and integrity	Yes	The Bank has set up a complete organizational structure. The Board of Directors, the Board of Supervisors, functional departments and other bodies can operate independently, none of which is affiliated to any functional departments of the largest shareholder.	-	-
Financial independence	Yes	The Bank has its independent financial department, and has	-	-

and integrity		formulated the independent accounting system and financial management policies.	

4.3 The Shareholders' Meeting, the Board of Directors, the Board of Supervisors, and the Senior Management of the Bank

4.3.1 Shareholders and Shareholders' Meeting

The Bank convoked and convened shareholders' meetings according to the pertinent laws and regulations as well as the internal rules such as the Articles of Association and the Procedural Rules for Shareholders' Meeting. During the reporting period, the Bank held one shareholders' meeting by a combination of the on-site meeting and online voting, where it considered and adopted seven proposals, including the 2020 Annual Work Report by the Board of Directors, the 2020 Annual Work Report by the Board of Supervisors, the 2020 Annual Final Accounts and 2021 Annual Financial Budget Report, and the 2020 Annual Profit Distribution Proposal, and listened to three reports, including the 2020 Annual Work Report by Independent Directors. At the meeting, the Bank safeguarded shareholders' rights to know, participate in and vote for major matters of the Bank and ensured that all shareholders enjoyed equal status and all shareholders could fully exercise their own rights.

Shareholders' Meeting	Date	Query index of the website designated for publishing the resolutions	Disclosure date of the resolutions
2020 Shareholders' Meeting	11 June 2021	http://www.sse.com.cn	12 June 2021

4.3.2 Directors and the Board of Directors

As at the end of the reporting period, the Seventh Board of Directors of the Bank had 12 directors, including four executive directors, three shareholder directors, and five independent directors. All the independent directors are influential professionals in economics, finance, accounting, legal and other fields. During the reporting period, the Board of Directors held 14 meetings, including four onsite meetings and 10 meetings via written resolutions. At these meetings, 92 resolutions were passed and 38 special reports were reviewed.

The Board of Directors of the Bank has established four special committees, namely, the Strategy Committee (Inclusive Finance Development Committee), the Audit Committee, the Nomination and Remuneration Appraisal Committee, and the Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee). The four special committees convened 36 meetings. Of these, the Strategy Committee (Inclusive Finance Development Committee) held 10 meetings, the Audit Committee held 10 meetings, the Nomination and Remuneration Appraisal Committee held three meetings, and the Risk Management and Related Party Transactions Control Committee (Consumer Protection

Committee) held 13 meetings. A total of 98 resolutions were made and 36 reports were heard at these meetings.

Leveraging on their extensive knowledge, experience and professional ethics, the Bank's directors promoted the organic integration of the Party's leadership and corporate governance, conducted in-depth research on major issues, and made science-based, pragmatic and efficient decisions on corporate governance, strategic planning, serving the real economy, capital replenishment, risk prevention, compliance management, profit distribution, anti-money laundering, regulatory rectification, internal control audit, asset disposal, incentives and constraints. They made a lot of efforts in supervising effective duty performance of the Senior Management and the completeness and accuracy of financial report of the Bank, thus ensuring that the Bank obeys laws, regulations, rules and effectively protecting the legitimate rights and interests of the shareholders, concerning and maintaining the benefits of depositors and other stakeholders and effectively performing the trusteeship.

4.3.3 Supervisors and the Board of Supervisors

As at the end of the reporting period, the Seventh Board of Supervisors of the Bank had nine supervisors, including three shareholder supervisors, three external supervisors, and three employee supervisors. The Board of Supervisors has set up the Nomination Committee and the Supervision Committee.

During the reporting period, the Board of Supervisors implemented the requirements of the regulators and competent authorities in its work priorities and focused on the key areas to play its supervisory role. It held 14 meetings, at which 109 proposals were reviewed and approved and 25 reports were reviewed. Its special committees held 15 meetings, at which 58 proposals were considered and adopted and two reports were reviewed. These meetings required an in-person attendance of 126, which was met by 100%.

The Board of Supervisors surveyed 25 branches/institutions and management departments of the Head Office, held a total of 25 special meetings, conducted two interbank exchanges, and promptly informed the Senior Management of the difficulties existing in the operation and management of the primary-level outlets, along with its comments and suggestions.

The Board of Supervisors submitted (presented) to the CBIRC, Shanghai SASAC, and the Shareholders' Meeting the Report on the Evaluation of the Duty Performance by Directors, Supervisors, and Senior Management in 2020, the Supervision Evaluation Report in 2020, the 2020 Annual Work Report by the Board of Supervisors, the 2020 Annual Work Summary and 2021 Work Plan of the Board of Supervisors, as well as a host of reports on special supervisory inspections, including those on the resolution and disposal of material risk matters, the implementation of the main policies for preventing and resolving material risks, the correction of the problem that the Group acted as a controlling shareholder of some subsidiaries without de facto control, and the rectification of problems pointed out in the reply to the final accounts.

4.3.4 Senior Management

As at the end of the reporting period, the Bank's Senior Management had one President and four Vice Presidents (concurrently serving as CRO, CFO, Chief Legal Advisor, and Secretary to the Board of Directors, respectively). Under the leadership of the Board of Directors, the

Senior Management observed the principle of good faith and prudently and diligently exercised its duties within its range of authority. In the face of new opportunities and challenges at home and abroad, the Bank thoroughly implemented the decisions and arrangements made by the CPC Central Committee and the State Council and the regulatory requirements, learned the core messages conveyed by Chinese President Xi Jinping in his important speech on an inspection tour to Shanghai, and focused on the main task of "adjusting structure, stabilizing growth; ensuring operational compliance, improving quality; optimizing management, shoring up capability" to make unremitting, concerted efforts. The Bank's Senior Management has established the Assets and Liabilities Management Committee, the Sales Promotion Committee, the Risk Control Committee, the Information Technology Management Committee, the Green Finance Promotion Committee, and other special committees.

4.4 Information Disclosure and Transparency

The Bank attaches great importance to protecting investors' rights to know by effectively fulfilling its information disclosure obligations and implementing various related regulatory requirements. As per the principles of "openness, fairness and impartiality", the Bank discloses the information on corporate governance and management truly, accurately and completely, ensuring that the disclosed information is concise, clear, and easy to understand, and that the information disclosure remains continual and consistent.

During the reporting period, the Bank completed four times of disclosure by periodic reports, 64 times of disclosure by temporary announcements, and made timely announcements on resolutions passed by its Board of Directors, Board of Supervisors and Shareholders' Meeting and major matters such as the implementation of profit distribution. The Bank has been rated "A" in the annual information disclosure assessment initiated by the Shanghai Stock Exchange for many years in a row, and its ESG-related information disclosure practices were included in the Collection of ESG Cases of Listed Companies and the Selected Exemplary Practices by Listed Companies in Joint Implementation of the Belt and Road Initiative.

The Bank further refined its information disclosure management policies. During the reporting period, it revised the Measures for the Management of Information Disclosure Matters and the Measures for the Management of Insiders, strictly implemented the regulatory provisions on information disclosure of listed companies, and effectively prevented the risk of insider trading, thus doing better in the basic information disclosure management.

4.5 Basic Information on Directors, Supervisors and Senior Management Members

4.5.1 Changes in the shareholding and remuneration of directors, supervisors and Senior Management members during the reporting period

Name	Position	Gender	Year of birth	Tenure	Number of shares bought in the reporting period (in 10,000)	Number of shares held as at the end of the reporting period (in 10,000)	Remuneration (before-tax) received from the Bank during the reporting period (in RMB10,000)	Whether received the remuneration from related parties
Zheng Yang	Party Committee Secretary, Chairman, Executive Director	Male	1966	16 December 2019 - the end of tenure	-	-	85.68	No
Pan Weidong	Deputy Party Committee Secretary, Vice Chairman, Executive Director, President	Male	1966	16 December 2019 - the end of tenure	20.00	40.00	108.97	No
Chen Zheng'an	Deputy Party Committee Secretary, Executive Director	Male	1963	16 December 2019 - the end of tenure	-	-	91.54	No
Liu Yiyan	Executive Director, Vice President, CRO	Male	1964	16 December 2019 - the end of tenure	5.85	23.59	91.37	No
Guan Wei	Non-executive Director	Female	1971	16 December 2019 - the end of tenure	-	-	-	Yes
Zhang Dong	Non-executive Director	Male	1969	16 December 2019 - the end of tenure	-	-	-	Yes
Dong Guilin	Non-executive Director	Male	1963	30 December 2020 - the end of tenure	-	-	-	Yes
Wang Zhe	Independent Director	Male	1960	16 December 2019 - the end of tenure	-	-	31.00	No

Zhang Ming	Independent Director	Male	1958	16 December 2019 - the end of tenure	-	-	28.00	No
Yuan Zhigang	Independent Director	Male	1958	16 December 2019 - the end of tenure	-	-	31.00	No
Henry Cai	Independent Director	Male	1954	16 December 2019 - the end of tenure	-	-	26.00	No
Wu Hong	Independent Director	Male	1956	16 December 2019 - the end of tenure	-	-	26.00	No
Liu Xinyi	Director to be Appointed	Male	1965	16 December 2019 - the end of tenure	-	21.60	3.52	Yes
Wang Jianping	Chairman of the Board of Supervisors, External Supervisor	Male	1960	30 December 2020 - the end of tenure	-	-	-	No
Sun Wei	Shareholder Supervisor	Male	1970	16 December 2019 - the end of tenure	-	-	-	Yes
Cao Yijian	Shareholder Supervisor	Male	1976	16 December 2019 - the end of tenure	-	-	-	Yes
Li Qingfeng	Shareholder Supervisor	Male	1971	16 December 2019 - the end of tenure	-	-	-	Yes
Wu Jian	External Supervisor	Male	1968	16 December 2019 - the end of tenure	-	-	28.00	No
Wang Yuetang	External Supervisor	Male	1963	16 December 2019 - the end of tenure	-	-	28.00	No
Li Guangming	Employee Supervisor	Male	1963	29 December 2020 - the end of tenure	-	-	367.25	No
Zhang Baoquan	Employee Supervisor	Male	1965	29 December 2020 - the end of tenure	-	-	447.53	No

He Weihai	Employee Supervisor	Male	1967	16 December 2019 - the end of tenure	-	-	447.86	No
Jiang Fangping	Party Committee Member, Head of Discipline Inspection and Supervision Office at SPD Bank	Male	1966	Since August 2019	-	-	77.11	No
Wang Xinhao	Party Committee Member, Vice President, CFO	Male	1967	16 December 2019 - the end of tenure	6.00	23.10	81.03	No
Cui Bingwen	Party Committee Member, Vice President, Chief Legal Advisor	Male	1969	16 December 2019 - the end of tenure	5.80	20.67	85.68	No
Xie Wei	Party Committee Member, Vice President, Secretary to the Board of Directors	Male	1971	16 December 2019 - the end of tenure	5.90	21.70	88.88	No
Total remuneration received from the Bank during the reporting period							2,174.42	

Notes:

(1) In June 2021, the Bank received the Reply of the CBIRC on the Qualifications of Mr. Dong Guilin of Shanghai Pudong Development Bank (Y.B.J.F. [2021] No.422), and the CBIRC approved the qualifications of Mr. Dong Guilin for serving as a director of the Bank. Mr. Dong started to perform his duties after his qualifications were approved by the CBIRC.

(2) The off-office audit of the director to be appointed of the Bank is underway, and he will start to perform his duty after his qualification is approved by the CBIRC upon the completion of the off-office audit.

4.5.2 Changes in directors, supervisors, and Senior Management members

Name	Position	Gender	Year of birth	Tenure	Number of shares newly bought in the reporting period	Number of shares held as at the end of the reporting period	Remuneration (before-tax) received from the Bank during the reporting period (in RMB10,000)
Wang Hongmei	Former Non-executive Director	Female	1961	16 December 2019 - 9 December 2021	-	-	-

Note: On 9 December 2021, the Bank received a resignation letter from Director Ms. Wang Hongmei. Due to her job transfer, Ms. Wang resigned from the positions of Director, member of the Strategy Committee (Inclusive Finance Development Committee), and member of the Nomination and Remuneration Appraisal Committee under the Board of Directors. According to the Articles of Association of the Bank, the resignation letter shall take effect as of the date when it was received by the Board of Directors of the Bank.

4.5.3 Remuneration received by directors, supervisors and Senior Management members after the assessment and confirmation by competent agencies in 2020

Name	Position	Period of remuneration	Remuneration payable (in RMB10,000) (1)	Employer's contribution to social security, enterprise annuity, supplemental medical insurance and housing allowance (2)	Other monetary income (noted with specific items and listed separately) (3)	Total (4) = (1) + (2) + (3)
Zheng Yang	Party Committee Secretary, Chairman, Executive Director	Jan.-Dec. 2020	114.08	17.45	-	131.53
Pan Weidong	Deputy Party Committee Secretary, Vice Chairman, Executive Director, President	Jan.-Dec. 2020	260.00	23.25	-	283.25
Chen Zheng'an	Deputy Party Committee Secretary, Executive Director	Jan.-Dec. 2020	102.66	17.00	-	119.66
Liu Yiyan	Executive Director, Vice President, CRO	Jan.-Dec. 2020	221.00	21.70	-	242.70
Li Guangming	Employee Supervisor	Jan.-Dec. 2020	350.67	19.70	-	370.37
Zhang Baoquan	Employee Supervisor	Jan.-Dec. 2020	428.59	15.40	-	443.99

He Weihai	Employee Supervisor	Jan.-Dec. 2020	428.59	12.57	-	441.16
Jiang Fangping	Head of Discipline Inspection and Supervision Office at SPD Bank	Jan.-Dec. 2020	102.66	17.00	-	119.66
Wang Xinhao	Vice President, CFO	Jan.-Dec. 2020	221.00	21.70	-	242.70
Cui Bingwen	Vice President, Chief Legal Advisor	Jan.-Dec. 2020	208.00	25.90	-	233.90
Xie Wei	Vice President, Secretary to the Board of Directors	Jan.-Dec. 2020	221.00	21.70	-	242.70

4.5.4 Main work experience and service information of directors, supervisors and Senior Management members

4.5.4.1 Directors

Zheng Yang, male, born in 1966, has a Doctorate degree, and is a Senior Economist. He previously served as Deputy Chief of the Research Division of the Economic Laws and Regulation Department of the State Economic and Trade Committee, Chief of the Development Division and Chief of the Tendering Division VII of China National Tendering Center of Mach. & Elec. Equipment, Deputy Director of Capital Account Management Department of the Sate Administration of Foreign Exchange (SAFE), Party Committee Member and Deputy General Manager of PBC Shanghai Branch, Deputy Head of SAFE Shanghai Branch, Party Committee Member and Deputy Head of PBC Shanghai Head Office and Director of the Foreign Exchange Management Department of the PBC Shanghai Head Office (concurrently), Deputy Secretary of the CPC Shanghai Municipal Committee for Financial Work and Director of the Shanghai Financial Service Office, Secretary of CPC Shanghai Municipal Committee for Financial Work and Director of the Shanghai Financial Service Office, and Secretary of CPC Shanghai Municipal Committee for Financial Work and Director of Shanghai Municipal Financial Regulatory Bureau (Shanghai Financial Work Bureau). He currently works as Party Committee Secretary and Chairman of SPD Bank, and Chairman of SPD Silicon Valley Bank Co., Ltd.

Pan Weidong, male, born in 1966, has a Master's degree and is a Senior Economist. He previously served as Deputy Manager of Corporate Business Department I of Ningbo Securities Company, General Manager of Asset and Finance Department of SPD Bank Ningbo Branch, Director of SPD Bank Beilun Office, Deputy General Manager of Ningbo Branch, General Manager of SPD Bank's Product Development Department, General Manager and Party Leadership Group Secretary of SPD Bank Kunming Branch, Chief of the Financial

Institutions Service Division of Shanghai Municipal Financial Service Office (temporary post), Party Committee Member, Assistant General Manager and Deputy General Manager of Shanghai International Group, Party Committee Secretary and Chairman of Shanghai International Trust Co., Ltd., and Party Committee Member, Executive Director, Vice President and CFO of SPD Bank. He currently works as Deputy Party Committee Secretary, Vice Chairman and President of SPD Bank, and Chairman of Shanghai International Trust Co., Ltd.

Chen Zheng'an, male, born in 1963, has a Bachelor's degree. He previously served as Party Leadership Group Member, Deputy Procurator General and Member of Procuratorial Committee of Shanghai Jing'an Procuratorate, Deputy Secretary of Party Working Committee, Director of the Office and Secretary of Party Working Committee of Shimen Er Lu of Shanghai Jing'an District, Party Leadership Group Secretary and Director of Shanghai Jing'an Real Estate Bureau, deputy district governor, Party Committee Standing Member and Head of the Organization Department of Shanghai Jinshan District, Deputy Secretary of CPC Shanghai Municipal Committee for Financial Work, and Discipline Committee Secretary and Vice Chairman of the Board of Supervisors of SPD Bank. He currently works as Deputy Party Committee Secretary and Executive Director of SPD Bank.

Liu Yiyan, male, born in 1964, has a Doctorate degree, and is a Senior Economist. He previously served as Party Committee Member and Vice President of Bank of Communications Changchun Branch, Party Committee Secretary and General Manager of SPD Bank Changchun Branch, and General Manager of Personal Banking Headquarters of SPD Bank, General Manager of Human Resources Department of SPD Bank, and CRO at the Head Office of SPD Bank. He currently serves as Party Committee Member, Executive Director, Vice President, and CRO of SPD Bank, and Party Committee Secretary and Chairman of SPDB Financial Leasing Co., Ltd.

Liu Xinyi, male, born in 1965, has a Master's degree, and is a Senior Economist. He previously served as Deputy Head (in overall charge) of the SPD Bank Airport Sub-branch, Party Committee Member and Deputy General Manager of SPD Bank Shanghai Headquarters and Chief of Financial Institutions Service Division and Assistant Director of Shanghai Municipal Financial Service Office (temporary posts), Vice President of SPD Bank and Party Committee Secretary and General Manager of SPD Bank Shanghai Headquarters, Vice President of SPD Bank and Party Committee Secretary and Head of its Shanghai Branch, Vice President and CFO of SPD Bank, Deputy Party Committee Secretary and President of Shanghai Guosheng Group Co., Ltd., Deputy Party Committee Secretary, Vice Chairman and President of SPD Bank, and Chairman of SPD Silicon Valley Bank. He currently serves as Deputy Party Committee Secretary, Director and President of Shanghai International Group Co., Ltd.

Guan Wei, female, born in 1971, has a Master's degree, and is a Senior Accountant. She previously served as Assistant Manager of the Financial Management Department at Shanghai Shentong Metro Group Co., Ltd., Deputy Manager and Manager of the Financial Management Department, Discipline Inspection Commission Member, Manager of the Auditing and Supervision Department, and Member of the Board of Supervisors at Shanghai Jiushi (Group) Co., Ltd., Party Branch Secretary and General Manager of Shanghai City Tour Card Development Co., Ltd., CFO of Shanghai Land (Group) Co., Ltd., and CFO of Shanghai

International Group Co., Ltd. She currently works as Vice President and CFO of Shanghai International Group Co., Ltd.

Zhang Dong, male, born in 1969, is an MBA graduate and Engineer. He previously served as Deputy General Manager of Xuzhou Branch at China Mobile Communications Group Jiangsu Company Limited (in overall charge), General Manager and Party Committee Secretary of Lianyungang Branch at China Mobile Communications Group Jiangsu Company Limited, General Manager of the Human Resources Department at China Mobile Communications Group Jiangsu Company Limited, Director, Deputy General Manager and Party Leadership Group Member of China Mobile Communications Group Hainan Company Limited, Director, Deputy General Manager and Party Leadership Group Member of China Mobile Communications Group Jiangsu Company Limited, and General Manager of the Marketing Department at China Mobile Communications Group Co., Ltd. He currently works as Party Committee Secretary, Chairman, and General Manager of China Mobile Communications Group Beijing Company Limited.

Dong Guilin, male, born in 1963, has a Master’s degree, and is a Senior Economist. He previously served as Deputy Manager of Jiangsu Cigarette Sales Company, Chief of the Cigarette Sales Management Division of Jiangsu Tobacco Company, and Secretary of Party Leadership Group, President and Manager of Suzhou Tobacco Bureau (Company). He currently works as Party Leadership Group Member and Deputy General Manager of Jiangsu Tobacco Bureau (Company).

Wang Zhe, male, born in 1960, is an MBA graduate and Economist. He previously served as Deputy Head of PBC General Administration Department, Manager of Shenzhen Center of China Gold Coin Incorporation, Deputy General Manager of China CITIC Bank Shenzhen Branch, Chairman of Dapeng Securities, Deputy General Manager of China Gold Coin Incorporation, General Manager, Party Committee Secretary and Chairman of Shanghai Gold Exchange and Party Committee Secretary of China Foreign Exchange Trade System. He currently works as Secretary-General of Association of Shanghai Internet Financial Industry, Vice President of Shanghai Financial Association, External Supervisor of China Everbright Bank Company Limited, and Independent Director of Boill Healthcare Holdings Limited.

Zhang Ming, male, born in 1958, has a Doctorate degree, and is a Certified Public Accountant (CPA). He previously served as Deputy Dean of School of Accountancy of Shanghai University of Finance and Economics. He currently works as Professor, Doctorate Supervisor and Senior Researcher of School of Accountancy of Shanghai University of Finance and Economics, Vice President of Shanghai Commercial Accounting Institute, Member of many academic institutions such as Accounting Society of China, Banking Accounting Society of China, Accounting Society of Shanghai, Member of the Academic Council of Accounting Society of China, Independent Director of Haitong Securities Co., Ltd., Independent Director of National Silicon Industry Group Co., Ltd., Director of Shanghai Shensi Enterprise Development Co., Ltd., Director of Wuxi Zhenhua Auto Parts Co., Ltd., Independent Director of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd., and Independent Director of Shanghai Huarui Bank Co., Ltd.

Yuan Zhigang, male, born in 1958, has a Doctorate degree, and is a Specially Engaged Professor of “Changjiang Scholars” launched by the Ministry of Education. He previously served as Dean of School of Economics of Fudan University. He currently works as Professor and Doctorate Supervisor of School of Economics of Fudan University, Director of Employment and Social Security Research Center of Fudan University, Director of the Academic Council of the Faculty of Economics and Management at East China Normal University, Expert Member of the Shanghai Advisory Committee on Decision-Making, Advisor to Fujian Provincial People's Government, Expert Member of the Decision-making Advisory Committee of People's Government of Guangxi Zhuang Autonomous Region, External Supervisor of Bank of Shanghai Co., Ltd., and Independent Director of Sunac China Holdings Limited.

Henry Cai, male, born in 1954, has a Bachelor's degree. He previously served as Director of the General Office at Sinopec Shanghai Petrochemical Company Limited, Member of the Chinese Enterprise Going Public Abroad Steering Group under the State Commission for Economic Restructuring of the State Council, Chairman of the Joint Conference for Secretaries to the Boards of Directors of Chinese H-share Enterprises, Managing Director of Peregrine Investments Holdings Limited, Asian head of Swiss Bank Corporation (SBC), and Asian head of Deutsche Bank (DB). He currently works as Chairman of AGIC Capital, Independent Director of China Eastern Airlines Co., Ltd., Independent Director of China COSCO Shipping Corporation Limited, and Independent Director of BYD Co., Ltd.

Wu Hong, male, born in 1956, has a Doctorate degree. He previously served as Dean of the College of Economic Laws at East China University of Political Science and Law, Vice President of China Association of Banking Law, Member of China Commercial Law Society, Head of Financial Law Study Society, Shanghai Law Society, Deputy Head of Shanghai International Commercial Law Institute, Member of the National Judicial Examination Proposition Committee, Advisory Consultant to the Shanghai Municipal People's Congress Standing Committee for Legislation, and Member of Shanghai Consumer Council. He currently works as Professor and Doctorate Supervisor of East China University of Political Science and Law, Independent Director of Zhejiang Tailong Commercial Bank Co., Ltd., Independent Director of Orient Securities Co., Ltd., and Independent Director of Western Leadbank FMC Co., Ltd.

4.5.4.2 Supervisors

Wang Jianping, male, born in 1960, has a Bachelor's degree, and is an MBA graduate, Economist, and CPA. He previously served as Chief of the Budget Division and Chief of the Urban Economic Development Division of the Shanghai Municipal Bureau of Finance, Director and Party Leadership Group Secretary of Shanghai Municipal Administration of State (Local) Taxation Pudong New Area Bureau, Deputy Director of Shanghai Municipal Development & Reform Commission, Director and Party Leadership Group Secretary of Shanghai Municipal Bureau of Statistics, and Director and Party Leadership Group Secretary of Shanghai Municipal Bureau of Auditing (Deputy Head of the Eighth Inspection Group of the CPC Central Committee from February to May 2018). He currently works as Chairman of the Board of Supervisors of SPD Bank.

Sun Wei, male, born in 1970, has a Master's degree. He previously served as Deputy General Manager of Shanghai Faiveley Transport Vehicle Equipment Co., Ltd., Manager of Industry Development Department of Shanghai Electric Group Company Limited, Assistant General Manager and Deputy General Manager of Shanghai Rail Traffic Equipment Co., Ltd., General Manager of Screen Door Engineering Company under Shanghai Rail Traffic Equipment Co., Ltd., Deputy Head and Head of Strategic Planning Department of Shanghai Electric (Group) Corp., and Head of Industry Development Department of Shanghai Electric Group Company Limited. He currently works as Vice President of Bailian Group Co., Ltd.

Cao Yijian, male, born in 1976, has a Master's degree, and is an Economist. He previously served as Manager of the Asset Management Department at Shanghai Huipu Technology Investment Co., Ltd., Assistant Manager, Deputy Manager and Manager of Asset Operation Department of Shanghai Qiangsheng Group Co., Ltd., Manager of the Asset Operation Department of Shanghai Jiushi Real Estate Co., Ltd., Deputy General Manager of the Investment Development Department of Shanghai Jiushi Corporation Co., Ltd., and Deputy General Manager of the Investment Development Department of Shanghai Jiushi (Group) Co., Ltd. He currently works as General Manager of the Investment Development Department at Shanghai Jiushi (Group) Co., Ltd.

Li Qingfeng, male, born in 1971, has a Master's degree. He previously served as General Manager of Shanghai Jiuheng Futures Brokerage Limited, Chief Economist, Deputy General Manager and Deputy Secretary of General Party Branch of Shanghai Jiulian Group Limited, and Party Committee Secretary and General Manager of Shanghai Jiulian Group Limited (concurrently General Manager of Shanghai Petroleum Exchange). He currently works as Party Committee Secretary and Chairman of Shanghai Jiulian Group Limited (concurrently General Manager of Shanghai Petroleum Exchange).

Wu Jian, male, born in 1968, has a Master's degree. He previously served as Assistant Economist of Shanghai Price Bureau at Shanghai Planning Committee, and Legal Advisor to Mcdonald's China Development Company. He currently works as Board Chairman and Chairman of Joint Conference at Duan & Duan, Member of Council of the Shanghai Lawyers Association, Independent Director of ORG Technology Co., Ltd., Independent Director of Shanghai Waigaoqiao Free Trade Zone Group Co., Ltd., Independent Director of West Shanghai Automotive Service Co., Ltd., Director of INESA (Group) Co., Ltd., and Director of YEIG (Shanghai) Energy Development Co., Ltd.

Wang Yuetang, male, born in 1963, has a Doctorate degree in Management (Accounting), and is a Chinese CPA, and Specially Engaged Professor of "Changjiang Scholars" launched by the Ministry of Education. He previously served as Instructor of Business School, Yangzhou University, Senior Researcher of Faculty of Business, Lingnan University, and Visiting Scholar to Cornell University. He currently works as Dean, Professor in Accounting and Doctoral Supervisor of Nanjing University Business School, Deputy Head of Jiangsu Association of Accounting, Executive Member of China Empirical Accounting Research Society, External Director of Jiangsu Guoxin Investment Group Limited, Independent Director of Holly Futures Co., Ltd., Independent Director of Nanjing Central Emporium (Group) Stocks Co., Ltd., Independent Director of Zhuhai Huafa Industrial Share Co., Ltd., and Independent Director of Jiangsu Suning Bank Co., Ltd.

Li Guangming, male, born in 1963, a Party member, has a Master's degree, and is a Senior Economist, and Senior Engineer. He previously served as General Manager of No. 2 Sub-branch of Hohhot Branch of China Construction Bank ("CCB"), Party Committee member and Deputy General Manager of CCB Hohhot Branch, Deputy Secretary of the Party Committee and Deputy General Manager (in overall charge) of the Banking Department of CCB Inner Mongolia Branch, Secretary of the Party Committee and Head of Hohhot Branch of SPD Bank, and Director of the Secretariat to the Board of Directors & Supervisors of SPD Bank. He currently works as Chairman of SPD Bank Labor Union, Director of the Party Committee Office, Director of the Publicity Department of the Party Committee, and Director of the General Office of SPD Bank.

Zhang Baoquan, male, born in 1965, a Party member, has a Master's degree, and is a Senior Economist. He previously served as Deputy General Manager (in overall charge) of Tianjin Free Trade Zone Branch, Deputy General Manager of Development Zone Branch and Deputy General Manager (in overall charge) of Beichen Sub-branch, General Manager of International Business Department, Head of International Business Division and General Manager of Market Development Department II of Tianjin Branch of Industrial and Commercial Bank of China (ICBC), Party Leadership Group Secretary and Deputy General Manager of Tianjin Branch, Party Leadership Group Secretary and General Manager of Qingdao Branch, Deputy Director of Beijing Representative Office, Director of Beijing Approval Center of the Risk Management Unit of the Head Office, General Manager of Beijing Approval Center of the Credit Approval Department of the Head Office, Party Committee member and Deputy General Manager of Beijing Branch, General Manager of the Credit Management Department and Director of the Business Approval Center of the Head Office of SPD Bank. He currently works as CRO and General Manager of the Risk Management Department at SPD Bank.

He Weihai, male, born in 1967, has a Master’s degree, and is an Economist, and Certificated Internal Auditor (CIA). He previously served as Deputy General Manager of Beilun District Sub-branch (Bonded Area/Development Area) of CCB Ningbo Branch, Deputy General Manager of CMB Ningbo Sub-branch, General Manager of Jiangbei Sub-branch, General Manager of Zhongxing Sub-branch, and General Manager of the Marketing Management Department at SPD Bank Ningbo Branch, Executive Auditor in Public Reserve Business of the Internal Auditing Department and General Manager of the Trade and Cash Management Department at SPD Bank, Party Committee Secretary and General Manager of SPD Bank Wenzhou Branch, Party Committee Secretary and General Manager of SPD Bank Hangzhou Branch, and Party Committee Secretary and General Manager of SPD Bank Nanjing Branch. He currently serves as General Manager of Asset Management Department at SPD Bank.

4.5.4.3 Senior Management members

Pan Weidong, ditto

Jiang Fangping, male, born in 1966, has a Master’s degree, and is a Senior Economist, and Procurator Level III. He previously served as Deputy Chief of Investigation Division II and Deputy Chief of Investigation Division I of the Anti-corruption Bureau at the People’s Procuratorate of Shanghai Municipality, Deputy Director of Office V to Shanghai Municipal Discipline Inspection Commission and Supervisory Commission, Director of Office I to Shanghai Municipal Discipline Inspection Commission and Supervisory Bureau, Director of Office II to Shanghai Municipal Discipline Inspection Commission and Supervisory Commission, Head of the Discipline Inspection Group Dispatched by Shanghai Municipal Discipline Inspection Commission at Shanghai Municipal Commission of Commerce, Party Leadership Group Member of Shanghai Municipal Commission of Commerce, Head of the Discipline Inspection Group at Shanghai Municipal CPC Committee of SASAC Dispatched by Shanghai Municipal Discipline Inspection Commission, and Member of Shanghai Municipal

CPC Committee of SASAC. He currently works as Party Committee Member of SPD Bank and Head of the Discipline Inspection and Supervision Office at SPD Bank dispatched by Shanghai Municipal Discipline Inspection Commission and Supervisory Commission.

Liu Yiyan, ditto

Wang Xinhao, male, born in 1967, has a Doctorate degree. He previously served as General Manager of the Asset Management Department, General Manager of the Customer Managers' Department and General Manager of the Corporate Banking Department of China Everbright Bank Dalian Branch, Party Leadership Group Member and Deputy General Manager of SPD Bank Dalia Branch, Party Committee Secretary and General Manager of SPD Bank Dalian Branch, Party Committee Secretary and General Manager of SPD Bank Shanghai Branch, and Party Committee Secretary and General Manager of SPD Bank Shanghai FTZ Branch. He currently works as Party Committee Member, Vice President and CFO of SPD Bank, Chairman of SPDB International Holdings Limited, and Vice Chairman of SPD Silicon Valley Bank Co., Ltd.

Cui Bingwen, male, born in 1969, has a Doctorate degree, and is a Senior Economist. He previously acted as Deputy Head of Jinxi Sub-branch, Deputy Head (in overall charge) of Dongli Sub-branch of ICBC Tianjin Branch, Head of the Human Resources Department, General Manager of the Corporate Banking Department, Party Committee Member, Head Assistant, Deputy General Manager, Party Committee Secretary and General Manager of SPD Bank Tianjin Branch, Party Committee Secretary and General Manager of SPD Bank Beijing Branch and concurrently General Manager of the Group Customer Department and General Manager of the Financial Markets Department (Beijing) of SPD Bank Head Office. He currently works as Party Committee Member, Vice President and Chief Legal Advisor of SPD Bank.

Xie Wei, male, born in 1971, has a Master's degree, and is a Senior Economist. He previously acted as General Manager of Corporate Banking Department of CCB Henan Branch, Party Committee Secretary and General Manager of CCB Xuchang Branch, General Manager of Development Management Department of Corporate and Investment Banking Headquarters of SPD Bank, Deputy General Manager of Corporate and Investment Banking Headquarters of SPD Bank and concurrently General Manager of Investment Banking Department, Development Management Department and Key Client Department, Party Committee Secretary and General Manager of SPD Bank Fuzhou Branch, General Manager of SPD Bank Treasury Headquarters, General Manager of SPD Bank Asset Management Department, and General Manager of SPD Bank Financial Markets Department. He currently works as Party Committee Member, Vice President, Secretary to the Board, and Director of Financial Market Business of SPD Bank, and Chairman of AXA SPDB Investment Managers Co., Ltd.

4.6 Overview of Service in the Shareholders

Name	Name of shareholder	Posts held in shareholders
Liu Xinyi	Shanghai International Group Co., Ltd.	Deputy Party Committee Secretary, Director, President
Guan Wei	Shanghai International Group Co., Ltd.	Vice President, CFO

Dong Guilin	China National Tobacco Corporation Jiangsu Company	Party Leadership Group Member, Deputy General Manager
Sun Wei	Bailian Group Co., Ltd.	Vice President
Cao Yijian	Shanghai Jiushi (Group) Co., Ltd.	General Manager of Investment Development Department
	Shanghai Sitico Assets Management Co., Ltd.	Director
Li Qingfeng	Shanghai Jiulian Group Limited	Party Committee Secretary, Chairman

4.7 Overview of Service in Other Entities

Name	Name of entity	Current position
Liu Xinyi	Sailing Capital Management Co., Ltd.	Chairman
	Guotai Junan Securities Co., Ltd.	Director
Guan Wei	The Kunlun Beijing Co., Ltd.	Vice Chairman of the Board of Directors
	Guotai Junan Securities Co., Ltd.	Director
	Sailing Capital International (Shanghai) Co., Ltd.	Director
	Sailing Capital Management Co., Ltd.	Director
	Shanghai Guosheng Capital Management Co., Ltd.	Director
Zhang Dong	China Mobile Communications Group Beijing Company Limited	Party Committee Secretary, Chairman, General Manager
	Beijing Communication Service Co., Ltd.	Director
Wang Zhe	Association of Shanghai Internet Financial Industry	Secretary General
	Shanghai Financial Association	Vice Chairman
	China Everbright Bank Company Limited	External Supervisor

	Boill Healthcare Holdings Limited	Independent Director
Zhang Ming	Shanghai University of Finance and Economics	Professor, Doctoral Supervisor, and Senior Researcher of School of Accountancy
	Haitong Securities Co., Ltd.	Independent Director
	National Silicon Industry Group Co., Ltd.	Independent Director
	Shanghai Shensi Enterprise Development Co., Ltd.	Director
	Wuxi Zhenhua Auto Parts Co., Ltd.	Director
	Shanghai Huarui Bank Co., Ltd.	Independent Director
	Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	Independent Director
Yuan Zhigang	Fudan University	Professor, Doctoral Supervisor of School of Economics
	East China Normal University	Director of the Academic Council of the Faculty of Economics and Management
	Bank of Shanghai Co., Ltd.	External Supervisor
	Sunac China Holdings Limited	Independent Director
Henry Cai	AGIC Capital	Chairman
	China Eastern Airlines Co., Ltd.	Independent Director
	China COSCO Shipping Corporation Limited	Independent Director
	BYD Co., Ltd.	Independent Director
Wu Hong	East China University of Political Science and Law	Professor and Doctoral Supervisor
	Zhejiang Tailong Commercial Bank Co., Ltd.	Independent Director
	Orient Securities Co., Ltd.	Independent Director

	Western Leadbank FMC Co., Ltd.	Independent Director
Sun Wei	Shanghai Bailian Li'an Foods Co., Ltd.	Chairman
	Shanghai Baiji Foods Co., Ltd.	Chairman
	Shanghai No. 1 Pharmacy Co., Ltd.	Chairman
	Shanghai Bailian Lingang Construction Development Co., Ltd.	Director
	Shanghai Bailian Business Internet Co., Ltd.	Chairman
Cao Yijian	Haitong Securities Co., Ltd.	Supervisor
Li Qingfeng	Shanghai Petroleum Exchange Ltd.	General Manager
	Shenergy TOTAL LNG (Shanghai) Co., Ltd.	Director
Wu Jian	Duan & Duan	Board Chairman, Chairman of Joint Conference
	ORG Technology Co., Ltd.	Independent Director
	INESA (Group) Co., Ltd.	Director
	YEIG (Shanghai) Energy Development Co., Ltd.	Director
	Shanghai Waigaoqiao Free Trade Zone Group Co., Ltd.	Independent Director
	West Shanghai Automotive Service Co., Ltd.	Independent Director
Wang Yuetang	Nanjing University	Dean of the School of Management, Professor of the Department of Accounting
	Jiangsu Guoxin Investment Group Limited	External Supervisor
	Holly Futures Co., Ltd.	Independent Director
	Zhuhai Huafa Industrial Share Co., Ltd.	Independent Director

Nanjing Central Emporium (Group) Stocks Co., Ltd.	Independent Director
Jiangsu Suning Bank Co., Ltd.	Independent Director

4.8 Remuneration of Directors, Supervisors and Senior Management Members

Decision-making procedure for the remuneration of directors, supervisors, and Senior Management members	The remuneration of the Bank's shareholder directors and shareholder supervisors shall be determined by the shareholder units that appoint them. The remuneration of the Bank's independent directors and external supervisors shall be subject to the Policy on Allowances to Independent Directors and the Policy on Allowances to External Supervisors, as considered and approved at the Shareholders' Meeting. The remuneration of directors, supervisors, and Senior Management members who are paid by the Bank shall be reviewed by the Nomination and Remuneration Appraisal Committee under the Board of Directors, and be submitted to the Board of Directors for approval. The Board of Directors is responsible for considering and adopting the remuneration management policy of the Bank in accordance with the pertinent laws and policies of the State. The Nomination and Remuneration Appraisal Committee under the Board of Directors consists of five directors and is chaired by an independent director. It shall consider the remuneration management regime and policies of the Bank, study and examine the remuneration policies and schemes for directors and Senior Management, and put forth suggestions to the Board of Directors. The Senior Management shall organize the implementation of the Board of Directors' resolutions about remuneration management. Internal and external auditors shall incorporate the design and implementation of remuneration policies into the auditing scope.
Basis for the remuneration of directors, supervisors and Senior Management members	The directors, supervisors, Senior Management members who are paid by the Bank shall be included in the corresponding remuneration management policies and their remuneration shall be appraised and decided by the competent departments based on the assessment results. Others shall be subject to the remuneration distribution plan of the Bank as approved by the Board of Directors and its Nomination and Remuneration Appraisal Committee. Specifically, the remuneration of the Chairman (Legal Representative) shall be appraised and decided by the

	superior authority, the remuneration of other bank leaders appointed by the organization shall be subject to the Performance Appraisal and Remuneration Distribution Plan of Shanghai Pudong Development Bank Co., Ltd. for Other Leaders Appointed and Managed by the Organization, and the remuneration of professional managers shall be subject to the Appraisal and Remuneration Measures for Professional Managers of Shanghai Pudong Development Bank Co., Ltd.
Remuneration payable to directors, supervisors and Senior Management members	The appraisal for directors, supervisors and Senior Management members who are paid by the Bank has not completed, so the remuneration during the reporting period is not the remuneration to be distributed as approved in the appraisal.
Total remuneration actually received by all directors, supervisors and Senior Management members as at the end of the reporting period	The final competent department in charge of the remuneration of directors, supervisors and Senior Management members who are paid by the Bank and are leaders of SOEs is under confirmation, and the total remuneration (before-tax) paid by the Bank at present is RMB19.7642 million.

4.9 Performance of Duties by Directors and the Board of Directors

4.9.1 Attendance of directors at Board meetings

Director name	Independent Director Y/N	Overview of attendance at Board meetings						Number of attendance times at shareholders' meetings
		Number of required attendance times at Board's meetings	Number of attendance times in person	Number of attendance times via written resolutions	Number of attendance times by proxy	Number of absence times	No attendance in person for two consecutive times Y/N	
Zheng Yang	No	14	13	10	1	0	No	1
Pan Weidong	No	14	14	10	0	0	No	1
Chen Zheng'an	No	14	14	10	0	0	No	1
Liu Yiyan	No	14	14	10	0	0	No	1
Guan Wei	No	14	14	10	0	0	No	1

Zhang Dong	No	14	13	10	1	0	No	1
Dong Guilin	No	10	10	7	0	0	No	1
Wang Zhe	Yes	14	14	10	0	0	No	1
Zhang Ming	Yes	14	14	10	0	0	No	1
Yuan Zhigang	Yes	14	14	10	0	0	No	1
Henry Cai	Yes	14	14	10	0	0	No	1
Wu Hong	Yes	14	14	10	0	0	No	1

Number of Board meetings held in the year	14
Incl.: Number of onsite meetings	4
Number of meetings held via written resolutions	10
Number of meetings held onsite with attendance via written resolutions	0

Note: For details of the Board meetings (session numbers, dates, and resolutions reached), please refer to the index of the Bank's disclosure documents.

4.9.2 Performance of duties by independent directors

As at the end of the reporting period, the Board of Directors of the Bank had five independent directors, which constituted more than one third of the members of the Board of Directors. The Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee), the Nomination and Remuneration Appraisal Committee, and the Audit Committee were all chaired by independent directors. In 2021, the Board of Directors held 14 meetings, and the rate of attendance of independent directors in person reached 100%. The special committees of the Board of Directors held 36 meetings, and independent directors actively attended meetings of special committees, where they played a great role. During the reporting period, one meeting of independent directors was held, with one resolution passed, and independent directors expressed 18 special independent opinions. With the attitude of being responsible for all shareholders, all these independent directors carefully performed their duties of good-faith and diligence, protected the overall interests of the Bank and the legitimate rights and interests of minority shareholders from being impaired, and exerted positive role for scientific decision making by the Board of Directors.

4.9.3 Objection raised by independent directors against relevant matters of the Bank

During the reporting period, the independent directors of the Bank did not raise objections against any proposal at Board meetings in the year.

4.9.4 Independent opinions of independent directors about external guarantees

According to relevant provisions and requirements in the CSRC Zh.J.F. [2003] No.56 Document, and with the attitude of justice, fairness and objectiveness, the independent directors examined the Group's external guarantees. As at the end of the reporting period, the Group's external guarantee business was approved by the PBC and the CBIRC, and the external guarantee business was one of its normal businesses. The Articles of Association of the Bank clearly defines the approval authority, specific management measures, operating flow and approval procedure based on the risk features of the guarantee business, thus effectively controlling risks of such business.

All external guarantees of the Group are normal off-balance sheet business, and the condition of off-balance-sheet liabilities is as follows:

In RMB millions

Item	End of the reporting period	End of last year
Bank's acceptance draft	617,735	553,527
Letters of credit issued	192,522	176,517
Letters of guarantee issued	113,363	112,564
Credit card and loan commitments	647,121	525,923

The Group made no special guarantee to related parties. During the reporting period, the Group prudently implemented regulations of Zh.J.H. [2003] No.56 Document and made no guarantee violating laws or regulations.

4.9.5 Duty performance of the special committees of the Board of Directors

The Board of Directors of the Bank has established four special committees, namely, the Strategy Committee (Inclusive Finance Development Committee), the Audit Committee, the Nomination and Remuneration Appraisal Committee, and the Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee).

4.9.5.1 Strategy Committee (Inclusive Finance Development Committee)

As at the end of the reporting period, the Strategy Committee (Inclusive Finance Development Committee) of the Bank consisted of five directors, including Mr. Zheng Yang (Chairman), Mr. Pan Weidong, Ms. Guan Wei, Mr. Dong Guilin, and Mr. Yuan Zhigang.

During the reporting period, the Strategy Committee (Inclusive Finance Development Committee) held 10 meetings, at which it considered 25 proposals, including the Proposal on the Strategic Development Plan and Innovation Plan for 2021-2025, the Proposal on Digital Technology Development Plan for 2021-2025, the Proposal on the Strategic Data Plan for 2021-2025, the Proposal on Revising the Measures for Evaluation of Duty Performance by Directors, the Proposal on the 2020 Annual CSR Report, the Proposal on the Equity Management Measures, the Proposal on the Corporate Governance Self-Assessment for 2020, the Proposal on the Institution Construction Plan for 2021, the Proposal on the Plan for Domestic and Overseas Issuance of Capital Bonds in the Next Three Years, the Proposal on Capital Injection to SPDB Financial Leasing Co., Ltd., the Proposal on Capital Injection to SPDB International Holdings Limited, and the Proposal on the 2020 Work Summary of and 2021 Work Plan for Inclusive Finance Business. Besides, it reviewed four reports, which were the Analysis Report on Strategy Implementation in 2020, the Analysis Report on Strategy Implementation in the First Half of 2021, the Report on the Operation and Management of Major Investee Companies in 2020, and the International Development Report for 2020.

4.9.5.2 Nomination and Remuneration Appraisal Committee

As at the end of the reporting period, the Nomination and Remuneration Appraisal Committee of the Bank consisted of five directors, including Mr. Yuan Zhigang (Chairman), Mr. Zheng Yang, Mr. Chen Zheng'an, Mr. Wang Zhe, and Mr. Henry Cai.

During the reporting period, the Nomination and Remuneration Appraisal Committee held three meetings, at which it considered nine proposals, including the Proposal on the Appraisal of Duty Performance by the Senior Management (Professional Managers) in 2020, the Proposal on Formulating the Objective Responsibility Statement for the Senior Management (Professional Managers) in the Year 2021 and the Term 2020-2021, the Proposal on the Remuneration of the Senior Management for 2020, the Proposal on the Allocation and Disbursement of Remuneration for 2020, the Proposal on Further Pushing Forward with the Plan of the Professional Managers Remuneration Reform, the Report on the Evaluation of Duty Performance by Directors in 2020, the Work Report by Independent Directors for 2020, and the Proposal on Adding Members to the Special Committees of the Seventh Board of Directors.

4.9.5.3 Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee)

As at the end of the reporting period, the Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee) consisted of five directors, including Mr. Wang Zhe (Chairman), Mr. Liu Yiyan, Mr. Zhang Ming, Mr. Henry Cai, and Mr. Wu Hong.

During the reporting period, the Committee held 13 meetings, at which it considered 42 proposals, including the Proposal on the Group-wide Risk Appetite for 2021-2023, the Proposal on the Authorization for Write-off of Asset Losses in 2021, the Proposal on the Write-off of Asset Losses, the Proposal on Related Party Transactions with Major Investee Companies in 2021, the Proposal on Related Party Transactions in 2020, the Proposal on the Identification of Related Parties in 2021, the Proposal on the 2020 Work Summary of and 2021 Work Plan for Consumer Protection, the Proposal on the Accountability Work in 2020, and the Proposal on the Adjustment of the Names of the Special Committees under the Board of Directors. Besides, it reviewed 25 reports, such as the Report on Comprehensive

Risk Management in 2020, the Report on the Implementation of Risk Appetite in 2020, the Legal Compliance Risk Management Report for 2020, and the Anti-money Laundering Work Report for 2020.

4.9.5.4 Audit Committee

As at the end of the reporting period, the Audit Committee of the Bank consisted of six directors, including Mr. Zhang Ming (Chairman), Ms. Guan Wei, Mr. Zhang Dong, Mr. Wang Zhe, Mr. Yuan Zhigang, and Mr. Wu Hong.

During the reporting period, the Audit Committee convened 10 meetings, at which it considered 22 proposals, including the Proposal on the 2020 Annual Report and Its Abstract, the Proposal on the 2021 Q1 Report, the Proposal on the 2021 Interim Report and Its Abstract, the Proposal on the 2021 Q3 Report, the Proposal on the 2020 Final Accounts and 2021 Financial Budget, the Proposal on Profit Distribution for 2020, the Proposal on the Internal Control Evaluation Report for 2020, the Proposal on the Renewal of the Appointment of the Accounting Firm, the Report on Duty Performance by the Audit Committee of the Board of Directors for 2020, the Report on the Evaluation of the Duty Performance by the Chief Audit Officer for 2020, and the Proposal on the Internal Audit Work Plan for 2021-2025 and the Annual Work Summary & Plan. Besides, it reviewed seven reports, which included the 2020 Annual Operation Report of the Bank, the Report on Employee Behavior Evaluation for 2020 and Evaluation Plan for 2021, and the Report on Special Audits in 2020.

4.10 Performance of Duties by Supervisors and the Board of Supervisors

As at the end of the reporting period, the Seventh Board of Supervisors of the Bank had nine supervisors, including three shareholder supervisors, three employee supervisors and three external supervisors (including Chairman of the Board of Supervisors).

During the reporting period, the Board of Supervisors acted as per the pertinent laws and regulations, regulatory provisions, and the Articles of Association of the Bank. It kept keenly aware of its positioning, fulfilled duties diligently according to law, supervised the performance of duties of the Board of Directors, the Senior Management and its members as well as financial, risk, internal control and compliance management, and strove to get more out of its supervisory initiatives. No acts that would impair the interests of shareholders were identified during the reporting period.

During the reporting period, the Board of Supervisors held 14 periodic and extraordinary meetings, where it considered and adopted 109 proposals and reviewed 25 reports. The special committees of the Board of Supervisors hosted a total of 15 meetings, where they considered and adopted 58 proposals and reviewed two reports. The Board of Supervisors focused on major operation and management matters concerning strategic planning, capital management, periodic reports, financial budget and final accounts, profit distribution plan, comprehensive risk management, write-off of asset losses, internal control and compliance, and internal audit, among other topics. Supervisors actively voiced their comments and suggestions at these meetings.

During the reporting period, the Board of Supervisors surveyed primary-level branches/institutions, which included nine tier-one branches, two tier-two branches, five sub-branches, eight Head Office departments, and one subsidiary. A total of 25 special meetings were convened in the process. With these efforts, the Board of Supervisors further understood the implementation of the Bank's strategies/decisions, risk compliance requirements, and regulatory policies by the primary-level branches/institutions, got informed of the difficulties, problems and shortcomings facing them in the operation and management process, and promptly updated the Senior Management on the findings along with relevant comments and suggestions.

During the reporting period, the Board of Supervisors oversaw the performance of duties in accordance with the pertinent law and regulations, to elevate the corporate governance standards of the Bank. It evaluated the performance of duties by directors, supervisors and Senior Management members and produced the Report on the Evaluation of Duty Performance by Directors, Supervisors and the Senior Management in 2020. To oversee and assess the operation and management activities carried out by the Bank in the year, it, combined with the proposals considered at its meetings and the surveying/inspection results, made a comprehensive evaluation of corporate governance and standard operation, preparation and implementation of development strategies, completion of major tasks, financial and investment situation, innovative work done, development and implementation of internal control policies, and rectification of problems exposed, among other aspects, with the findings compiled into the Supervisory Evaluation Report of Shanghai Pudong Development Bank. It submitted to the Shareholders' Meeting the 2020 Annual Work Report of the Board of Supervisors and the Report on the Evaluation of Duty Performance by Directors, Supervisors and the Senior Management in 2020, and reported to the Shareholders' Meeting on how the Board of Directors and the Senior Management of the Bank performed their duties in the areas of capital management, comprehensive risk management, liquidity risk management, consolidated risk management, reputational risk management, stress testing management and data governance.

During the reporting period, the Board of Supervisors strengthened the oversight of risk management. It paid attention to comprehensive risk management, conducted special research programs on risk management, credit management, and special asset management to gain a full picture of comprehensive risk management, and required thoroughly analyzing the causes of risks, continuously improving the comprehensive risk management mechanisms and enhancing comprehensive risk management capabilities. It carried out special supervisory inspections of the prevention and resolution of material risks, urged the Bank to effectively forestall materials risks, took effective measures to prevent and dispose of such risks properly. Besides, an asset quality research program was carried out to learn about the classification of assets by quality and improve the risk monitoring system accordingly.

During the reporting period, the Board of Supervisors strengthened the oversight of compliance and internal control. It kept abreast of the improvements of compliance mechanisms as well as the organizational structure and functions of the compliance departments, with an aim to build up compliance competence. It followed up with the Year for Enhancing Internal Control and Compliance Management campaign and urged the Bank to put in place a sound compliance culture, which would help it do better in internal control. As to the basic aspects of compliance management, it got informed of how the problems found by regulators and auditors were rectified, tightened the supervision of the repeated problems, and prompted the Bank to improve the compliance appraisal and accountability mechanism, a prerequisite for making accountability efforts more effective.

During the reporting period, the Board of Supervisors strengthened financial supervision. It carried out regular report reviews, supervised whether the Bank conducted financial activities in compliance with the law and regulations, and guaranteed the truthfulness, accuracy, and completeness of financial reports, with an aim to safeguard the rights and interests of stakeholders. It oversaw the formulation and implementation of investment policies, and asked the Bank to intensify the management before, during and after any major investment made, in exchange for enhanced returns. It paid close attention to data governance and continued to improve the quality of underlying data.

During the reporting period, the Board of Supervisors carried out special supervisory inspections, which, as requested by Shanghai SASAC, included the resolution and disposal of material risk matters, the implementation of main policies for preventing and resolving material risks, the correction of the problem that the Group acted as a controlling shareholder of some subsidiaries without de facto control, and the rectification of problems pointed out in the reply to annual final accounts. Besides, it followed up with the subsequent rectification or implementation on an ongoing basis.

4.10.1 Performance of duties by external supervisors

As at the end of the reporting period, the Board of Supervisors had three external supervisors, which complied with regulatory provisions. Both of its two special committees, the Nomination Committee and the Supervision Committee, were chaired by external supervisors. In 2021, the Board of Supervisors held 14 meetings and the rate of attendance of external supervisors in person reached 100%.

The external supervisors of the Bank were able to perform their supervisory duties independently. During the reporting period, the external supervisors attended the meetings of the Board of Supervisors and the special committees of the Board of Supervisors, participated as non-voting attendees in the meetings of the Board of Directors and the special committees of the Board of Directors, and got involved in the surveying/research programs of the Board of Supervisors. In doing so, they understood the operation and management conditions of the Bank, paid close attention to the decision-making process of operation and management activities, oversaw the performance of duties by the Board of Directors, the Senior Management and their members, while maintaining their independence in the decision-making and supervision process, free from being influenced by major shareholders, Senior Management members, and other entities and individuals who had a stake in the Bank, and making every effort to safeguard the legitimate rights and interests of the Bank, all shareholders, and other stakeholders. The external supervisors were able to make full use of their professional expertise and actively express their supervisory comments and suggestions, thus playing an active role in the performance of supervisory duties by the Board of Supervisors.

4.10.2 Performance of duties by the special committees of the Board of Supervisors

The Board of Supervisors of the Bank has established the Nomination Committee and the Supervision Committee.

Nomination Committee

As at the end of the reporting period, the Nomination Committee consisted of five supervisors, including Mr. Wu Jian (Chairman), Mr. Wang Jianping, Mr. Sun Wei, Mr. Wang Yuetang, and Mr. Li Guangming.

During the reporting period, the Nomination Committee held four meetings, at which it considered 11 proposals, including the Report on the Evaluation of Duty Performance by Directors in 2020, the Report on the Evaluation of Duty Performance by Supervisors in 2020, the Report on the Evaluation of Duty Performance by the Senior Management Members in 2020, the Proposal on the Appraisal of Duty Performance by the Senior Management (Professional Managers) in 2020, the Proposal on the Remuneration of the Senior Management Members in 2020, and the Proposal on Revising the Measures for the Evaluation of Duty Performance by Directors.

Supervision Committee

As at the end of the reporting period, the Supervision Committee of the Bank consisted of five supervisors, including Mr. Wang Yuetang (Chairman), Mr. Wang Jianping, Mr. Cao Yijian, Mr. Wu Jian, and Mr. Zhang Baoquan.

During the reporting period, the Supervision Committee held 11 meetings, at which it considered 47 proposals, including the Proposal on the 2020 Annual Report and Its Abstract, the 2020 Supervisory Evaluation Report, and the Analysis Report on the Strategy Implementation for 2020. Besides, it reviewed two reports, which were the 2020 Annual Credit Information Management Report and the Report on Opinions of China Banking and Insurance Regulatory Commission Regarding the Onsite Inspection of the Effectiveness of Risk Management and Internal Control.

4.11 Information on Employees of the Parent Company and Main Subsidiaries

4.11.1 Information on employees

Person

Total in-service employees of the parent company	60,406
Total in-service employees of main subsidiaries	2,955
Total in-service employees	63,361
Retired employees in the parent company and main subsidiaries	1,726
Incl.: Disciplines of employees of the parent company	
Senior Management members	321
Banking staff	53,657
Technical staff	6,428

Incl.: Education level of employees in the parent company	
Junior college and vocational school	8,981
Bachelor’s degree	38,835
Master’s degree and Doctorate degree	12,590

4.11.2 Staff remuneration policy

The remuneration policy of the Bank is consistent with its development strategies, business plans, and corporate culture, as well as the requirements for corporate governance and industry regulation, and follows the management principles of “supporting strategy implementation, motivating talents, being market & performance-oriented and well-structured, and attaching equal importance to incentive and constraint”.

The remuneration policy for directors, supervisors and Senior Management members remunerated by the Bank is formulated in accordance with relevant regulations of competent authorities, reviewed by the Nomination and Remuneration Appraisal Committee of the Board of Directors, and submitted to the Board of Directors for consideration and approval. The remunerations of independent directors and external supervisors shall be subject to the Policy on Allowances to Independent Directors and the Policy on Allowances to External Supervisors, as considered and approved at the shareholders’ meeting.

The staff remuneration policy is regulated by the Remuneration Management Measures of Shanghai Pudong Development Bank and other pertinent policies. The remuneration is divided into basic pay, performance-based pay and benefits. Non-cash compensation mainly consists of benefit incomes such as social insurance premiums, housing provident funds, and enterprise annuity funds paid by the Bank for its employees. Performance-based pay is linked to the comprehensive performance of an employee and the institution (department) to which the employee belongs, and can reflect various risks, cost offsets, and incentive and constraint requirements for sustainable development of the Bank. In terms of appraisal metrics, key performance indicators such as economic efficiency indicators, risk and cost control indicators, and social responsibility indicators are set to reveal the correlation between employee remuneration and business performance, risk and social responsibility. The remuneration policy contains provisions related to deferred payment and clawback of performance-based pay. As to employees who commit violations, incur credit risk events, or fall under other similar situation, their current or deferred pay will be deducted given the accountability decisions. For employees in positions that have a significant impact on the risks of the Bank, the deferred pay shall not be less than 40% of their total performance-based pay for the year and the period of deferral shall not be less than three years. Employees of the Bank’s audit, compliance, and risk management departments are mainly included in the sequences of management and professional positions, and their remunerations remain relatively independent from those of the personnel in business lines under their supervision.

During the reporting period, the Bank actively advanced the building of an internationalized remuneration system and improved the remuneration mechanism for overseas institutions and persons dispatched to foreign countries. It advanced remuneration management of subsidiaries according to requirements for conglomeration development and continued to improve the incentive mechanism linking performance growth with professional post performance remuneration. It intensified accountability management, and used deferred payment of remuneration as an efficient risk constraint.

The remunerations of directors, supervisors and Senior Management members are appraised on an annual basis. Please refer to Section 4.5 of this Report for detailed remunerations. During the reporting period, the parent company accrued employee remunerations totaling RMB26,073 million for regular employees and other types of employees, totaling 60,406 people.

4.11.3 Human resources management

During the reporting period, the Bank, centered on the strategic development plan for the 14th Five-year Plan period, kept innovating and optimizing its organizational structure, personnel pool, and incentive & constraint mechanism to better serve the high-quality development on all fronts. First, keenly aware of the positioning and objectives of organizational work, it prioritized converting the political and organizational advantages of the Party into its development advantages. Second, it focused on hires and appointments to improve the structure of officials, intensified hands-on practice and training to enhance professional competence of officials, and made sure officials could remain under the leadership and supervision of the Party. Third, to make all-around headway in team building, it convened the bank-wide talent work conference, reinforced the talent strategic layout, closely followed up with talent introduction and development, and tightened employee behavior restraints, with a view to improving the quality and effect of meticulous management. Fourth, it refined the incentive and constraint mechanism, allocated various resources more efficiently, optimized the organizational structure by combining partial and comprehensive management, and prioritized establishing a complete set of performance appraisal and remuneration systems in good time. Fifth, in conjunction with the building of a panoramic bank, it promoted the IT adoption in human resources management, and raised data governance standards.

4.11.4 Staff training plan

During the reporting period, centered on implementing various operation requirements and making various teams organizationally cohesive and professionally competent to attain high-quality development, the Bank made vigorous efforts to conduct hierarchical and categorized training programs, which aimed to help officials and employees do better in research, business, IT adoption and innovation by offering some intellectual and training support. First, the Bank increased the diversity of learning content and improved the learning channels, in a bid to create an atmosphere where employees could be self-motivated for learning. Second, it worked hard to build the “Capacity to Learn” project into a brand, which would prompt employees to be open-minded about new ideas and skills and improve their abilities. Third, it sped up the pace of course development to generate quality training resources. Fourth, centering on priorities for business development, it provided professional training courses for related personnel. Fifth, it worked hard to build the intelligent campus where digital learning could play a better empowering role.

4.12 Plan on Ordinary Shares' Profit Distribution or Capitalization of the Capital Reserve

4.12.1 Formulation and implementation of cash bonus policy

In order to further implement the requirements of regulators including the CSRC and SSE in respect of cash bonus of listed companies, and truly protect the legitimate interests of investors, the Articles of Association of the Bank defines the basic principle, specific policies, decision making procedure, organization and implementation of profit distribution and profit distribution policy changes, and states that the Bank's cash bonus scheme shall meet relevant rules of regulators, and except for special cases, the accumulated distribution of profit from the cash bonus in the past three years shall be no less than 30% of yearly average distributable profit realized in the past three years.

The Bank's decision making procedure for profit distribution met relevant requirements in the Articles of Association and resolutions made on the shareholders' meeting, and the cash bonus' criteria and proportions were clear and well defined, and all Independent Directors expressed opinions on the profit distribution scheme. The Bank also listened to the opinions and claims of minority shareholders through various forms. The profit distribution scheme considered the industry features, development stage, profitability and capital needs of the Bank, as well as the investors' requirements for sharing the Bank's growth and development achievements, and obtaining reasonable return on investment.

4.12.1 Plan or scheme of the Bank for ordinary shares' dividend distribution and for conversion of capital reserve to ordinary shares in past three years

In RMB millions

Bonus year	Number of bonus shares per 10 shares	Number of dividend payout per 10 shares (RMB) (tax inclusive)	Number of capital increase per 10 shares	Amount of cash bonus (tax inclusive)	Net profit attributable to the parent company's ordinary shareholders in the consolidated statements in the bonus year	Cash dividend rate (%)
2021	-	4.10	-	12,034	47,650	25.26
2020	-	4.80	-	14,089	55,244	25.50
2019	-	6.00	-	17,611	57,186	30.80

Note: The 2021 profit distribution plan can be implemented only when it is approved by the shareholders' meeting.

Cash dividend rate = cash dividend amount/net profit attributable to the parent company's ordinary shareholders in the consolidated statements in the bonus year. The rate is calculated based on 29,352,168,006, the total ordinary shares of the Bank as at the end of the reporting period.

4.12.3 2021 profit distribution plan of the Bank

The audited 2021 accounting statement showed that, the parent company realized a total net profit of RMB50,309 million, and after deducting the dividends on SPDB P 1 and SPDB P 2 of RMB1,559 million and on perpetual bonds of RMB3,794 million paid in the year, the actual profit distributable to ordinary shareholders in the year would be RMB44,956 million.

The Bank proposed the 2021 profit distribution plan as follows:

(1) To withdraw discretionary surplus reserve at 30% of after-tax profit of the year, RMB15,093 million in total;

(2) Pursuant to the Administrative Measures for Reserve Provisioning of Financial Enterprises (C.J. [2012] No. 20) issued by the Ministry of Finance, a financial enterprise which undertakes the deposit and loan business shall set aside a certain portion of its after-tax net profit as general reserve, and the balance of general reserve shall not be lower than 1.5% of the closing balance of risk assets in principle. Pursuant to the above provision, the Bank set side RMB4.5 billion for general reserve in 2021.

(3) To distribute to all shareholders cash dividends at RMB4.1 (tax inclusive) per 10 shares based on the total number of ordinary shares on the day of profit distribution and equity registration. As at 31 December 2021, the Bank's ordinary shares totaled 29,352,168,006, based on which the cash dividends to be distributed were calculated in RMB12,034 million (tax inclusive).

4.13 Establishment and Implementation of Performance Appraisal and Incentive Mechanisms for Senior Management Members during the Reporting Period

In 2021, the Bank, proceeding from its actual conditions, continued to act on the requirements set out in the remuneration policy reform for professional managers at state-owned enterprises under the management of the Shanghai municipal government. In addition to the remuneration policies for professional managers, the Bank followed the principles of "market-based recruitment, contractual management, differentiated remuneration, and market-oriented exit" in pushing forward the remuneration policy reform for professional managers, so as to further stimulate the creativity of professional managers, make state-owned assets grow larger and stronger, and steer its staff towards long-standing, high-quality development. During the reporting period, the Bank completed the 2020 duty performance appraisal and remuneration allocation for professional managers and other leaders nominated and managed by the organization.

4.14 Formulation and Implementation of Internal Control Policies

The Bank prepared the 2021 Internal Control Appraisal Report and disclosed it on SSE's website (www.sse.com.cn). Based on the identification of material deficiencies in the internal control over financial reporting of the Bank, the Bank's internal control over financial reporting contained no material deficiencies as at the base date of internal control appraisal report. In the opinions of the Board of Directors, the Bank has maintained effective internal control over financial reporting in all material aspects in accordance with the requirements of rules and regulations on enterprise internal control. Based on the identification of material deficiencies in the internal control over non-financial reporting, the Bank's internal control over non-financial reporting contained no material deficiencies as at the base date of internal control appraisal report.

4.15 Relevant Information about Internal Control Audit Report

The Bank prepared and disclosed the 2021 Internal Control Appraisal Report. KPMG Huazhen LLP audited the effectiveness of the internal control over financial reporting of the Bank as of 31 December 2021, and issued the Internal Control Audit Report. Full text of the above report has been published on SSE's website (www.sse.com.cn).

Section V Environmental and Social Responsibilities

The Bank has long been active in fulfilling corporate social responsibilities (CSR) and creating value for shareholders, customers, employees, society, environment and other stakeholders. It seeks to promote social harmony and progress while realizing its sustainable development. The Board of Directors of the Bank is responsible for working out the Group's environment, social, and governance (ESG)-related strategy, and supervising and evaluating the implementation of the strategy. In 2021, it considered and adopted the Strategic Development Plan of SPD Bank (Group) for 2021-2025. While stressing ESG responsibilities, the document has also set out the strategic goal of the Bank for the 14th Five-year Plan period: growing into a globally competitive, top-notch joint-stock commercial bank which moves early to secure a leading position in promoting the finance sector toward high-quality development in the new era. By fully exploiting the steering role of strategy and implementing strategically important plans, the Bank will strive to become a trustworthy, preferred bank in the eyes of customers, a high-quality blue chip of the capital market, an attentive employer that shares development results with employees, a systemically important bank which boasts of operational compliance and causes no worry for regulators, and a respectable and trusted corporate citizen, to align corporate value with social value.

5.1 Environmental Information

5.1.1 Relevant information conducive to ecological protection, pollution prevention and control, and fulfillment of environmental responsibility

As one of the first Chinese commercial banks proposing comprehensive green finance services, the Bank has built up a complete system of professional green finance products in recent years. It has been committed to serving the national strategy of "carbon emissions peaking and carbon neutrality", and continued to make its asset and liability structure, product and service models, and corporate culture go green. With the constantly enhanced business processes, management policies, and information disclosure mechanisms, it could provide financial support for economic activities aimed at environmental improvement, climate change response and efficient use of resources. Meanwhile, it has been actively exploring ways to become a "bank of net zero" in terms of operation and asset portfolio.

Corporate governance

The Board of Directors of the Bank paid much attention to issues related to environmental protection and the development of green finance business. It considered and adopted the Proposal on the Green Finance Development Plan, which clearly defines the Bank's strategy for developing green finance. According to it, the Bank shall make full use of its underlying advantages in the field of green finance, draw on the cutting-edge experience from peers at home and abroad, and become keenly aware of pertinent national strategies, policies and requirements, as well as its mission and responsibility to facilitate the formation of a green finance system in China. Conscious of its actual needs for transforming business models and fulfilling CSRs, it shall maintain and expand its unique advantages in green finance, and translate them into an important competitive edge on which its business development could count.

During the reporting period, the Board of Directors considered and adopted the Bank's strategic development plan for the 14th Five-year Plan period, actively implemented the plans made by the CPC Central Committee for "carbon emissions peaking and carbon neutrality", and grasped the historic opportunities presented by the low-carbon transformation and development of national economy to serve ecological protection and green development. It helped improve the efficiency of resource utilization by meeting the financial needs of energy-saving projects in such sectors as industry, construction and transportation as well as public institutions. It also rolled out a host of green finance products and services around the needs for green intelligent manufacturing, green urbanization, green energy, environmental protection, new energy vehicles, carbon finance, etc.

The Board of Directors reviewed, on an annual basis, the reports on operations including the Bank's green finance business, which covered many aspects such as the implementation of green credit strategies, conducting of green credit business, innovations achieved, identification and assessment of environmental and social risks, environmental and social performance of the Bank, and fulfillment of CSRs.

The Green Finance Promotion Committee, headed by President of the Head Office, has been established under the Senior Management. At the same time, the Green Finance Center has been set up to coordinate the promotion efforts. The Group's green finance business promotion plan, resource allocation incentive policy and other documents have been considered and adopted.

Green finance policies and systems

Developing green finance has become one of the key strategies adopted by the Bank. As to the national goal of "carbon peaking and carbon neutrality", the Bank has effectively integrated traditional credit products with financial instruments such as M&As, bonds, equity, syndicated loans, and matchmaking service, and gone all out to build a green finance supermarket that "could cross the interbank market, capital market, and carbon finance element market".

With results in international cooperation and independent innovation pooled together, the Bank formally launched the Green Finance-based Comprehensive Service Solution (Version 3.0). As a brand-new green finance brand, it created an innovative, leading, and professional "6+N" service system that covered multiple fields and various scenarios, provided a business blueprint towards sustainable development, and forged a comprehensive lineup of green finance products that covered the low-carbon industry chain, both upstream and downstream. With professional service teams and assessment capabilities, as well as industry-leading technological capabilities, the Bank could furnish customers with a full package of financial services that are available at home and abroad and cross different markets. A blue book entitled "Progress towards and Realization of Carbon Neutrality with the Help of Finance" was released by the Bank, which proposed a carbon reduction objective model for financial institutions, after examining the commitments and plans made by international and domestic financial institutions to move towards carbon neutrality, analyzed and forecast the market prospects and countermeasures for facilitating carbon neutrality with financial strength, and extracted some best practices from an abundance of in-depth industry cases. To sum up, the publication could provide a highly operational guide or approach in this regard. Besides, the Bank also developed marketing guidelines and a series of initiatives for various types of green finance businesses such as carbon finance business, medium and long-term asset allocation for central power enterprises, and distributed photovoltaic (PV) systems.

Innovations in green finance services

The Bank innovated a sustainability-linked loan mode, which linked key indicators used to measure emission reductions of enterprises to interest rates of loans extended to them. Such a business mode has been applied in loans going to areas of infrastructure, PV power generation and ecological restoration in Shanghai, Hefei, Suzhou, Qingdao and other places.

With respect to carbon finance-related innovations, the Bank in 2021 joined hands with Shanghai Environment and Energy Exchange to complete China's first pledged financing deal that combined Shanghai carbon emission allowance (SHEA) and China Certified Emission Reduction (CCER). It could effectively help enterprises revitalize their carbon assets and give full play to the role of carbon trading in connecting financial capital and the real economy, which represented an innovative measure that the Bank took to develop climate financing after the goals of carbon peaking and carbon neutrality were proposed. In addition, the Bank actively promoted carbon inclusion. It unveiled the SPDB UnionPay credit card themed on green and low-carbon development, as a move to spread the idea of carbon neutrality, get employees and customers voluntarily involved in carbon reduction actions, and engage the public around low-carbon lifestyles.

In the process of reviewing and approving credit applications, the Bank focused on identifying and controlling environmental risks. For green power plant projects, it paid particular attention to assessing the holistic financial strength and project operation performance of enterprises, and brought these projects under life-cycle management, in addition to solid compliance audit and economic assessment. For the new energy equipment manufacturing industry chains such as PV and wind power, it carried out risk review of upstream and downstream supply chain financing. For the medium and long-term loans involving technical transformation, production capacity enhancement, M&A integration and other aspects, credit strategies were dynamically adjusted according to industry development trends, competition landscape and other factors. For new energy infrastructure fields such as power transmission and distribution, energy storage and smart grid, customer and product strategies were reviewed according to their maturity.

Green credit

As at the end of 2021, the Bank's green credit balance stood at RMB311.35 billion, an increase of RMB94.75 billion from the beginning of the year, a figure at the vanguard of all joint-stock banks nationwide. Through green credit, the Bank helped reduce carbon dioxide emissions of over 10 million tons, equivalent to standard coal of over 22.76 million tons.

As at the end of 2021, the Bank had outstanding clean energy loans of RMB73.89 billion, an increase of RMB37.67 billion from the beginning of the year, a figure topping all joint-stock banks nationwide.

Carbon emission reduction instruments issued by the PBC

During the reporting period, the Bank continued to facilitate green, low-carbon development with financial strength. With the support of carbon emission reduction instruments, it issued carbon emission reduction loans of RMB14,708 million to 84 projects, ranking first among all joint-stock banks in China, which contributed to an annual reduction of 3,338,100 tons of carbon dioxide equivalent. All these loans went to clean energy, energy conservation and environmental protection, carbon emission reduction technologies, and other fields pivotal to the realization of the goals of carbon peaking and carbon neutrality.

Underwriting green bonds

During the reporting period, the Bank underwrote 20 green debt financing instruments and CSR bonds (including four sustainability-linked bonds), which amounted to RMB15,796 million. Besides, it underwrote three green financial bonds with a total issue amount of RMB6 billion, of which RMB1,086 million was actually underwritten by the Bank.

On 25 March 2021, GD Power Development Co., Ltd. issued the 2021 tranche I green medium term notes (carbon neutral bonds), with the Bank acting as an underwriter. It was the first carbon neutral bond that was issued by a non-financial institution in the Chinese market to be certified both at home and abroad.

On 6 September 2021, Baoshan Iron & Steel Co., Ltd. issued the 2021 tranche I medium term notes (sustainability-linked bonds), with the Bank acting as an underwriter. It was the first sustainability-linked bond in Shanghai.

Green asset securitization & portfolio financing

During the reporting period, the Bank underwrote three green financial asset-backed notes. Of the total issue size of RMB1,303 million, RMB907 million was underwritten by the Bank.

During the reporting period, the Bank extended new green portfolio financing worth RMB4,388 million and new green M&A financing of RMB5,143 million.

5.1.2 Measures taken by the Bank to reduce its carbon emissions during the reporting period and their effects

During the reporting period, the Bank made continuous progress towards energy conservation and emission reduction. The Head Office building saw its comprehensive energy consumption rated within a reasonable range in the three-tier energy audit of the National Development and Reform Commission (NDRC). In 2021, the Bank upgraded the Information Center and Zhangjiang Operation Center to LED lighting, and continued to renovate the Information Center with green measures such as installation of fluorine pump precision air conditioners and addition of solar water heaters. In 2021, through energy performance contracting, the Bank saved a total of 4,133,700 kWh of electricity, which was equivalent to 3,257 tons of carbon dioxide emissions. All air conditioning equipment across the Bank was procured in a centralized manner from the shortlisted suppliers, so that the external units of air conditioning systems could reach the highest-level energy efficiency standard.

5.2 Work Done by the Bank to Consolidate and Expand Achievements in Poverty Alleviation, Rural Revitalization and Social Welfare

The Bank actively implemented the strategic plans made by the CPC Central Committee to press ahead with rural revitalization in every respect, got efforts to consolidate and expand the achievements in poverty alleviation smoothly aligned with rural revitalization, and exploited its advantages as a professional financial service provider to optimize the long-lasting assistance mechanism which could facilitate industrial development, promote consumption, stimulate the momentum of development, and empower the sustainable development of industry. To protect people from falling back into poverty and prevent new pockets of poverty, it worked hard to consolidate and expand the achievements in poverty alleviation and moved faster to modernize agriculture and rural areas. At the same time, the Bank continued to organize charitable activities in a wide range of fields such as supporting the old and raising the young, helping the poor, medical treatment and public health, and cultural education. Specifically, it actively carried out public welfare initiatives such as the "Dream Chasing Fireflies Initiative" for 1,000 Pediatric Staff Training and "Eyes for the World" Program for Children's Vision Recovery Operation. To sum up, it took the initiative to assume social responsibilities with a sincere heart, and practiced the tenet of improving people's wellbeing with financial forces.

During the reporting period, the Bank made 29 charitable donations totaling RMB29,087,500. To be specific, it conducted 14 assistance projects involving investments worth RMB11,401,600. Some examples of these projects include the comprehensive aid program for paired villages in Jinshan District, Shanghai and other provinces and cities, the "Dream Chasing Fireflies Initiative" for 1000 Pediatric Staff Training, and the "Ai You An Sheng" campus clinic for orphans program. Furthermore, the Bank carried out 15 charitable projects with an input of RMB17,685,900, including the Spring Festival visit by the Shanghai Foundation for Supporting the Military and Families and the "SPDB Children Drawing" bonus points program. The Company contributed to the sustainable development of the society and economy, striving to shape itself as a respectable and trustworthy corporate citizen.

In July 2021, after Henan was hit by extreme rainfall events, SPD Bank went all out to support the flood relief and post-disaster reconstruction in the province, as part of the efforts to ensure stability on six key fronts and security in six key areas. Capitalizing on its financial expertise, it rolled out five financing solutions and ten services measures to help local enterprises resume their normal production and operation. Besides, the Group donated RMB10 million to support local people hit by the flood reconstruct their home.

5.3 Consumer Protection

The Bank has pursued a customer-centric business philosophy and has always attached great importance to protecting consumers' rights and interests. In 2021, it launched the "March 15" Consumer Protection Awareness Week and carried out the "Promoting Financial Literacy and Protecting Your Money" activity in June. A series of well-designed and innovative themed publicity activities were carried out through diversified channels. A total of 22,000 employees from over 1,500 outlets nationwide joined the activities. They organized over 4,400 publicity activities both online and office, and distributed a variety of promotional materials in over 23.6 million copies accumulatively, which reached out to more than 31,117,000 people. These activities covered such themes as anti-fraud, bank card payment, personal information protection, housing loans, and identification of illegal financial advertisements. They helped improve the image of the entire banking industry effectively.

During the reporting period, the Bank disseminated financial knowledge among consumers on an ongoing basis. It posted multiple anti-fraud-themed articles to remind consumers of various forms of telecom or online fraud, which included "Be Careful about COVID-19 Vaccination Scams", "Be Wary of Fraudsters Who Pretend to be Customer Service Reps of Banks", "Stay away from Online Game Traps", and "Watch out for Airline Ticketing Fraud".

Besides, an audio program was released with the title of “Ways to Protect Senior Citizens from Telecom Scams”. A sand art video called “Avoid Debt” was produced to guide college students to spend money wisely. “Things You Need to Know to Protect Your Financial Information”, “On Consumer Protection Knowledge” and other works were published by the Bank to remind consumers of preserving their financial information properly.

5.4 Investor Relations Management

The Bank has always been committed to safeguarding the rights and interests of investors. During the reporting period, it kept improving investor relations management by innovative means.

First, the Bank strengthened the interaction and communication with shareholders to empower its own operation with their wisdom. The comments and suggestions made by investors were broken down and assigned to functional departments, so that they could explore implementation plans and rectification initiatives. Reasonable suggestions from investors were adopted, which facilitated the Bank’s operation and management.

Second, the Bank used network and artificial intelligence technologies to hold business results announcements in diversified forms. In the face of the COVID-19 pandemic, it actively innovated the investor management models and fully utilized video conferencing, teleconferencing and other technologies to organize investor activities on a daily basis. At the 2020 annual result announcement of the Bank, “Xiaopu”, the first digital human in the financial sector, made its debut. It communicated with investors by virtue of the artificial intelligence technology. On the occasion, the Senior Management of the Bank had in-depth exchanges with the attendees about the new five-year development plan and business strategies of the Bank. Besides, the Bank also participated in the 2021 open day for listed companies in Shanghai, where it answered all the questions raised by investors online. Greater information transparency enabled the Bank to enhance investors’ experience and their understanding and recognition of the Bank.

Third, the Bank maintained day-to-day communication with investors. Keenly aware of the importance of investor relations management, it invited industry analysts for in-depth discussions and exchanges, received the visiting institutional investors, hosted lectures themed on investor relations, and participated in strategy meetings and other investor events held at home and abroad. In doing so, it could serve investors in a more professional way and inform them of its value more accurately. Besides, there were full-time employees who answered calls from investors and interacted with them online. During the reporting period, the Bank answered over 500 calls from minority investors and replied to more than 100 online messages. As to investors who have been paying close attention to the Bank’s development, a communication mechanism was established to answer the questions of their interest and take in their comments and suggestions.

Fourth, the Bank made sure investment rewards could stay within a reasonable range. It put in place the investor protection mechanisms put forth in the new Securities Law. In formulating the annual profit distribution plan, it listened to the opinions and claims of shareholders through various forms, and took into account investors’ requirements for sharing the Bank’s growth and development achievements and obtaining reasonable return on investment. The profit distributed in the past three years exceeded RMB43 billion, and the ratio of cash dividends stayed at a high level.

5.5 Employee Protection

During the reporting period, the Bank thoroughly implemented the instructions delivered at the talent work conferences on the central and municipal levels. Specifically, it recruited the SPDB Talent Work Steering Group, convened the bank-wide talent work conference, and launched three talent training programs, namely “Leading Talents”, “Innovative Talents” and “Technical Talents”, so as to build the high-quality, professional teams of officials and employees which could be commensurate with the bank-wide development strategy at a faster pace.

On 7 September 2021, SPD Bank convened the Second Meeting of the Third Employee Representatives’ Assembly, where it listened to a host of reports, including the Report on Work and Honesty by Employee Supervisors in 2020, Work Report by the Senior Management (President’s Office), Report on the Use of Bank-wide Training Funds in 2020 and the Budget Arrangement for Bank-wide Training Funds in 2021, and 2020 Annual Accountability Report; considered and adopted a series of policies and measures closely related to employees’ interests, such as the Interim Measures for Staff Behavior Management of Shanghai Pudong Development Bank and Measures for the Management of Performance-based Pay Deferral and Clawback of Shanghai Pudong Development Bank; and conducted a democratic appraisal on duty performance of employee supervisors of the Seventh Board of Supervisors, which represented a milestone in the course of democratic management.

Section VI Important Matters

6.1 Change to Registered Capital during the Reporting Period

As the convertible corporate bonds of the Bank "SPDB Convertible Bond" entered the conversion period on 6 May 2020, the total share capital of ordinary shares of the Bank increased to 29,352,168,006 as at the end of the reporting period. The relevant change in registered capital is subject to the approval of the CBIRC.

6.2 Use of Capital by Controlling Shareholders or Other Related Parties for Non-operating Purposes

None.

6.3 Illegal Provision of Guarantees during the Reporting Period

None.

6.4 Influences of Changes in Accounting Policies on the Bank

The Group implemented in 2021 the Accounting Standards for Business Enterprises No. 21 - Leases (Revised) (C.K. [2018] No.35) and the Interpretation No.14 of the Accounting Standards for Business Enterprises (C.K. [2021] No.1), two documents issued by the MOF in recent years. Specific changes in accounting policies and the impact on the Bank are described in Note III. 34 Significant Changes in Accounting Policies to the Financial Statements and Auditor's Report for the Year 2021 Prepared in Accordance with the Accounting Standards for Business Enterprises.

6.5 Appointment of and Termination of Relationship with Accounting Firms

In RMB10,000

Whether a new accounting firm is appointed:	No
Name of the accounting firm	KPMG Huazhen LLP
Remuneration for the accounting firm	570
Years for audit of the accounting firm	1 year

In RMB10,000

	Name	Remuneration
Accounting firm for internal control audit	KPMG Huazhen LLP	145

6.6 Bankruptcy Reorganization during the Reporting Period

None.

6.7 Major Litigation and Arbitration

As at the end of the reporting period, the Bank as a plaintiff had 12,438 pending proceedings, which involved an amount of RMB33,711 million. Meanwhile, the Group as a defendant (including the third person) had 346 pending proceedings, which involved an amount of RMB1,882 million.

6.8 Violations, Punishments and Rectification Results Related to the Listed Company and Its Directors, Supervisors, Senior Management Members, Controlling Shareholders, and De Facto Controllers

During the reporting period, neither the Bank nor any of its directors, supervisors, Senior Management members, shareholders holding more than 5% of the shares, and the largest shareholder was subject to any investigation by competent authorities, coercive measures taken by judicial authorities or disciplinary inspection departments, transfer to judicial authorities or investigation for criminal responsibility, investigation or administrative penalty by the CSRC, prohibited access to the market, identification as unqualified, public reprimand by stock exchanges, or penalties from other regulators that have a significant impact on the Bank's operation. During the reporting period, the Bank was not subject to any administrative supervision measures by the CSRC or local offices or request for rectification within a prescribed time limit.

6.9 Related Party Transactions

6.9.1 Overview of related party transactions

According to relevant provisions in the Administrative Measures on Related Party Transactions of Commercial Banks and Insiders and Shareholders, the Interim Measures for the Equity Management of Commercial Banks, and the Accounting Standards for Business Enterprises issued by the CBIRC as well as relevant provisions governing related party transactions formulated by the CSRC and the SSE, there were no related parties that were controlled by the Bank during the reporting period.

In the reporting period, the Bank further consolidated its related party transaction management, identified related parties on a dynamic basis, improved the related party transaction review process, pushed refined management of related party transactions, and stepped up daily monitoring, statistics and analysis of related party transactions to ensure the standardization of related party transactions and the compliance of information disclosure. Transactions between the Bank and its related parties observed the principles of integrity and equity, greatly promoting the joint development of the Bank, other companies within the Group and related shareholders.

6.9.2 Conditions of material related party transactions

Counterparty	Transaction type	Amount	Percentage of the Bank's net assets	Meeting at which the transaction was approved	Main contents of transactions	Pricing principle
Shanghai International Trust Co., Ltd.	Comprehensive credit line	RMB4 billion	0.8%	The 19th Meeting of the Seventh Board of Directors	Shanghai International Trust Co., Ltd. and SPDB Financial Leasing Co., Ltd., two controlled subsidiaries of the Bank, were granted a 1-year comprehensive credit line of RMB4 billion and RMB19.3 billion, respectively.	The transaction was negotiated on an arm's length basis, follo
SPDB Financial Leasing Co., Ltd.		RMB19.3 billion	3.9%			
SPDB International Holdings Limited		HKD8 billion (equivalent value in another currency)	1.33%	The 20th Meeting of the Seventh Board of Directors	SPDB International Holdings Limited and Haitong Securities Co., Ltd. were granted a 1-year comprehensive	

Haitong Securities Co., Ltd.		RMB21.5 billion	4.35%		credit line of HKD8 billion (equivalent value in another currency) and RMB21.5 billion, respectively.	wed commercial principles, and was priced on terms no better than those for similar transactions with unrelated parties
Shanghai International Group Co., Ltd.		RMB12.04 billion and HKD500 million	2.28%	The 23rd Meeting of the Seventh Board of Directors	The comprehensive credit line extended to the headquarters of Shanghai International Group Co., Ltd. was increased to RMB7.25 billion. The credit line was included in the group credit for management, and the group credit line was increased to RMB12.04 billion and HKD500 million simultaneously.	
Orient Securities Co., Ltd.		RMB19.5 billion	3.69%	The 25th Meeting of the Seventh Board of Directors	Orient Securities Co., Ltd. was granted a 1-year comprehensive credit line of RMB19.5 billion.	
Shenergy Group Co., Ltd.		RMB20 billion	3.79%	The 26th Meeting of the Seventh Board of Directors	Shenergy Group Co., Ltd. was granted a 1-year comprehensive credit line of RMB20 billion.	
Bailian Group Co., Ltd.		RMB13 billion	2.46%	The 27th Meeting of the Seventh Board of Directors	Bailian Group Co., Ltd. and Guotai Junan were granted a 1-year comprehensive credit line of RMB13 billion and RMB24.6 billion, respectively.	
Guotai Junan Securities Co., Ltd.		RMB24.6 billion	4.66%			
China Eastern Airlines Co., Ltd.		RMB10.46 billion	1.98%	The 28th Meeting of the Seventh Board of Directors	China Eastern Airlines Co., Ltd. was granted a comprehensive credit line of RMB10.46 billion, which would	

					become due on 22 July 2022.
Shanghai International Group Co., Ltd.		RMB15.04 billion and HKD500 million	2.93 %	The 29th Meeting of the Seventh Board of Directors	Shanghai International Group Co., Ltd. was granted a 1-year comprehensive credit line of RMB15.04 billion and HKD500 million.
Shanghai Jiushi (Group) Co., Ltd.		RMB24.5 billion	4.63 %	The 31st Meeting of the Seventh Board of Directors	Shanghai Jiushi (Group) Co., Ltd. was granted a 1-year comprehensive credit line of RMB24.5 billion.

Note: Net assets of the Bank refer to the latest audited net assets attributable to the parent company's ordinary shareholders. The same below.

6.9.3 Related legal persons and transaction amount

Related legal persons of the Bank mainly comprise: (1) substantial legal person shareholders (i.e. legal person shareholders who directly, indirectly, or jointly hold or control 5% or more of shares or voting rights in the Bank; (2) groups to which legal person shareholders are affiliated and their subsidiaries; (3) companies that are controlled or greatly influenced by related natural persons; and (4) enterprises in which the Bank invests and on which it has great influence.

When the Bank transacts with related parties, the pricing methods and prices of the related party transactions shall be determined on terms no better than those of similar transactions with unrelated parties.

In addition to the material related party transactions described in Section 6.9.2, the Bank also conducted the following general related party transactions with the related parties of its other substantial shareholders:

Name of substantial shareholder	Related party of substantial shareholder	Type and main content of related party transaction	Amount of related party transaction (RMB)	Percentage of the Bank's net assets
Shanghai International Group Co., Ltd.	Shanghai State-owned Assets Operation Co., Ltd.	Credit extension	RMB2 billion	0.379%
Shenergy Group Co., Ltd.	Shenergy Carbon Technology Co., Ltd.	Credit extension	RMB25 million	0.005%

Shenergy Group Co., Ltd.	Shanghai Gas Co., Ltd.	Credit extension	RMB1 billion	0.189%
Funde Sino Life Insurance Co., Ltd.	Funde Resources Investment Holding Group Co., Ltd.	Credit extension	RMB752.26 million	0.142%
Shanghai International Group Co., Ltd.	Shanghai Guotai Junan Securities Asset Management Co., Ltd.	Service provision	RMB17 million	0.003%
Bailian Group Co., Ltd.	Shanghai Securities Co., Ltd.	Service provision	RMB6.55 million	0.001%
Shanghai International Group Co., Ltd.	Guotai Junan Risk Management Co., Ltd.	Credit extension	RMB225 million	0.043%
Bailian Group Co., Ltd.	Shanghai City Tour Card Development Co., Ltd.	Credit extension	RMB35 million	0.007%
Bailian Group Co., Ltd.	Qingdao Bailian Outlets Commercial Co., Ltd.	Credit extension	RMB150 million	0.028%
Shanghai International Group Co., Ltd.	Shanghai Guotai Junan Securities Asset Management Co., Ltd.	Service provision	RMB9.9 million	0.002%
Shenergy Group Co., Ltd.	Shanghai Haitong Securities Asset Management Co., Ltd.	Service provision	RMB5 million	0.001%
Bailian Group Co., Ltd.	Shanghai Securities Co., Ltd.	Service provision	RMB6.99 million	0.001%
Shanghai Jiushi (Group) Co., Ltd.	Shanghai Jiuan Real Estate Co., Ltd.	Credit extension	RMB818.798 million	0.155%
China Mobile Communication Group Guangdong Limited	China Mobile Communications Group Co., Ltd.	Credit extension	RMB2.6 billion	0.492%
Funde Sino Life Insurance Co., Ltd.	Gemdale Group Limited	Credit extension	RMB120 million	0.023%
Bailian Group Co., Ltd.	Bank of China Consumer Finance Company Limited	Credit extension	RMB2.5 billion	0.473%

Bailian Group Co., Ltd.	Shande E-bank Communication Service Co., Ltd.	Credit extension	RMB50 million	0.009%
China Mobile Communication Group Guangdong Limited	China Mobile Online Services Co., Ltd.	Credit extension	RMB30 million	0.006%
China Mobile Communication Group Guangdong Limited	China Mobile Communications Group Jiangsu Limited	Credit extension	RMB15 million	0.003%
Shanghai Jiushi (Group) Co., Ltd.	Shanghai Jiushi Sports Event Operation Management Co., Ltd.	Credit extension	RMB80 million	0.015%
Shenergy Group Co., Ltd.	Shenergy Group Finance Co., Ltd.	Credit extension	RMB1 billion	0.189%
Bailian Group Co., Ltd.	Qingdao Bailian Outlets Commercial Co., Ltd.	Credit extension	RMB150 million	0.028%

6.9.4 Related natural persons and transaction balance

Related natural persons of the Bank include its directors, Senior Management members of the Head Office and branches, insiders with authority to decide on or participate in credit extension, asset transfer, and service provision (procurement) and their close relatives, as well as controlling natural person shareholders, directors and key management personnel of the Bank's related legal persons (substantial shareholders), among others.

As at the end of the reporting period, related natural persons of the Bank and related party transactions with them are set out below:

In RMB millions

	End of the reporting period
Number of related natural persons (ten thousand)	2.53
Balance of related party transactions	3,145.40

6.9.5 Related party transaction arising from the acquisition or sales of assets or equity

None.

6.9.6 Material related party transactions with joint outward investment

During the reporting period, SPDB Financial Leasing Co., Ltd., established by the Bank and its related parties, planned to increase its registered capital from RMB5 billion to RMB8 billion.

The Bank at the 21st Meeting of the Seventh Board of Directors agreed to increase the capital of the subsidiary by subscribing in cash and increasing capital proportionally. It proposed to contribute RMB1,830.6 million in proportion to its shareholding. The capital increase is still subject to the approval of the CBIRC.

6.10 Disclosure of Undertakings by the Bank or its Shareholders Holding above 5% of Shares on the Designated Newspapers or Websites

None.

6.11 During the reporting period, the Bank did not implement any stock ownership incentive plan, employee stock ownership plan, or other employee incentive plan.

6.12 Major Contracts and Their Execution

Major custody, contracting and leasing matters: During the reporting period, there was no major custody, contracting or leasing matter.

Major guarantee: During the reporting period, the Bank had no other major guarantee matters required to be disclosed, other than financial guarantee business within the business scope as approved by the CBIRC.

Other major contracts (including guarantee, etc.) and the execution: During the reporting period, various business contracts of the Bank were executed normally, without any major contract dispute.

6.13 Major Entrusted Wealth Management Matters

During the reporting period, the Bank incurred no entrusted wealth management matters outside the scope of normal business.

6.14 Material Assets Acquisition, Sale or Disposal and Enterprise Merger

During the reporting period, there was no material assets acquisition, sale or disposal or enterprise merger at the Bank.

In April 2020, Shanghai Trust, a controlled subsidiary of the Bank, received a notice from J.P. Morgan Asset Management, stating that the latter intended to acquire the remaining shares of China International Fund Management Co., Ltd. held by Shanghai Trust. To implement the national initiative of opening up the financial industry and optimize the Group's development strategy, the Bank made steady progress towards the above equity transfer during the reporting period in compliance with regulatory requirements and the Articles of Association based on the business principle of mutual benefits.

Section VII Changes of Shares and Shareholders

7.1 Overview of Equity Capital

7.1.1 Changes of ordinary shares

	Before change		Change		After change	
	Quantity	Percentage (%)	Shares converted from convertible bonds	Lifting of restricted shares	Quantity	Percentage (%)
I. Floating shares without restricted sale conditions						
1. RMB ordinary shares	29,352,140,893	100.00	27,113	-	29,352,168,006	100.00
2. Others	-	-	-	-		
II. Total ordinary shares	29,352,140,893	100.00	27,113	-	29,352,168,006	100.00

7.2 Shareholder Information

7.2.1 Total number of shareholders

Accounts

Total number of ordinary shareholders as at the end of the reporting period	217,077
Total number of ordinary shareholders as at the end of the month before the annual report disclosure day	222,729
Total number of preference shareholders with voting rights recovered as at the end of the reporting period	-
Total number of preference shareholders with voting rights recovered as at the end of the month before the annual report disclosure day	-

7.2.2 Overview of shares held by the top ten shareholders and the top ten shareholders of

circulating shares (or shareholders without restricted sale conditions) as at the end of the reporting period

Overview of shareholding by top ten ordinary shareholders

Number of shares

Shareholder name	Increase/decrease during the reporting period	Number of shares by the end of the reporting period	Percentage (%)	Number of shares with restricted sale conditions	Number of pledged, labeled, or frozen shares	Nature of shareholder
Shanghai International Group Co., Ltd.	-	6,331,322,671	21.57	-	-	State-owned legal person
China Mobile Communication Group Guangdong Limited	-	5,334,892,824	18.18	-	-	State-owned legal person
Funde Sino Life Insurance Co., Ltd. - Conventional	-	2,779,437,274	9.47	-	-	Domestic non-state-owned legal person
Funde Sino Life Insurance Co., Ltd. - Capital	-	1,763,232,325	6.01	-	-	Domestic non-state-owned legal person
Shanghai Sitico Assets Management Co., Ltd.	-	1,395,571,025	4.75	-	-	State-owned legal person
Funde Sino Life Insurance Co., Ltd. - Universal H	-	1,270,428,648	4.33	-	-	Domestic non-state-owned legal person
China Securities Finance Corporation Limited	-128,885,979	1,179,108,780	4.02	-	-	State-owned legal person
Shanghai Guoxin Investment Development Co., Ltd.	-	945,568,990	3.22	-	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	+38,458,108	530,513,464	1.81	-	-	Overseas legal person
Central Huijin Asset Management Ltd.	-11,346,701	387,174,708	1.32	-	-	State-owned legal person

Statement on the connected relations or concerted action relations of the aforesaid shareholders	1. Shanghai International Group Co., Ltd. is the controlling company of Shanghai Sitico Assets Management Co., Ltd. and Shanghai Guoxin Investment Development Co., Ltd. 2. Funde Sino Life Insurance Co., Ltd. - Conventional, Funde Sino Life Insurance Co., Ltd. - Capital and Funde Sino Life Insurance Co., Ltd. - Universal H are under the name of the same legal person. Connected relations or concerted action relations of the aforesaid shareholders apart

	from the situations mentioned above are unknown to the Bank.
Statement on SMA repurchase by the top ten shareholders	-
Statement on entrusting, being entrusted with, and waiving voting rights by the aforesaid shareholders	-
Statement on preference shareholders with voting rights recovered and shares held by them	-

Note: Funde Sino Life Insurance Co., Ltd. saw its shareholder qualification subject to the approval of CBIRC.

7.3 Overview of Controlling Shareholders and De Facto Controllers

The Bank had no controlling shareholders or de facto controllers.

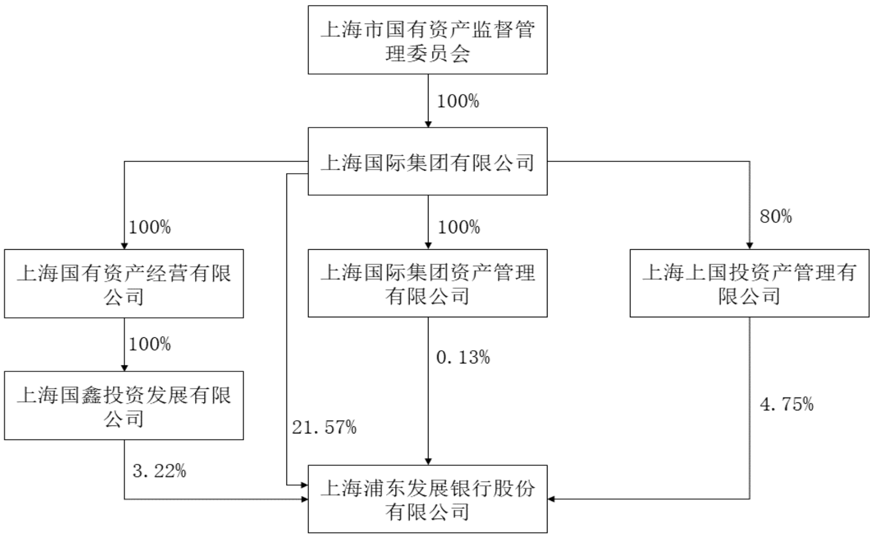
The largest consolidated shareholder of the Bank was Shanghai International Group Co., Ltd., which was not changed during the reporting period. As at the end of the reporting period, Shanghai International Group Co., Ltd. and its controlled subsidiaries held 29.67% shares of the Bank on a consolidated basis.

Shanghai International Group Co., Ltd. was founded on 20 April 2000 with a registered capital of RMB30 billion. Its registered address is No. 511 Weihai Road, Jing'an District, Shanghai, and its legal representative is Yu Beihua. Its uniform social credit number is 91310000631757739E, and its business scope covers investment with finance business as the main direction and non-finance business as the supporting part, capital operation and asset management, financial research, social and economic consulting, etc.

As at the end of the reporting period, Shanghai International Group Co., Ltd. directly held 6,331,322,671 shares of the Bank, accounting for 21.57% of its total share capital. It, together with the persons acting in concert Shanghai Sitico Assets Management Co., Ltd., Shanghai Guoxin Investment Development Co., Ltd., and Shanghai International Group Assets Management Co., Ltd., held 8,709,396,441 shares of the Bank, accounting for 29.67% of its total share capital and serving as the largest shareholder of the Bank. In addition to ordinary shares, Shanghai International Group Co., Ltd. and its persons acting in concert also held 43,333,070 convertible bonds of the Bank, accounting for 8.67%.

Shanghai SASAC is the sole shareholder, de facto controller, and ultimate beneficiary of Shanghai International Group Co., Ltd. Shanghai International Group Co., Ltd. nominated two directors to the Bank, who were Liu Xinyi and Guan Wei.

Block diagram for property right and controlling relations between the Bank and its largest consolidated shareholder



Shanghai State-owned Asset Management Co., Ltd. Shanghai Guoxin Investment Development Co., Ltd.	State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government Shanghai International Group Co., Ltd. Shanghai International Group Asset Management Co., Ltd. Shanghai Pudong Development Bank Co., Ltd.	Shanghai Sitico Assets Management Co., Ltd.

7.4 Other Legal-person Shareholders Holding More Than 5% Shares of the Bank as at the End of the Reporting Period

(1) Funde Sino Life Insurance Co., Ltd. was founded on 4 March 2002 with a registered capital of RMB11,752,005,497. Its registered address is 27, 28, 29 and 30/F Life Insurance Tower, No. 1001 Fuzhong Road I, Futian District, Shenzhen and its legal representative is Fang Li. Its unified social credit code is 91440300736677639J. Its business scope covers personal accident insurance, personal fixed-term death insurance, personal mixed life insurance, personal whole life insurance, personal annuity insurance, personal short-term health insurance, personal long-term health insurance, group accident bodily injury insurance, group fixed term life insurance, group whole life insurance, group annuity insurance, group short-term health insurance, group long-term health insurance, other life insurances as approved by the CBIRC, reinsurance for the above insurances, insurance agency (by virtue of business license), and funds application businesses as approved by the CBIRC.

As at the end of the reporting period, Funde Sino Life Insurance Co., Ltd. held 6,064,692,364 shares of the Bank, accounting for 20.66% of its total.

Its largest shareholder is Shenzhen Funde Finance Investment Holding Co., Ltd.

Note: Funde Sino Life Insurance Co., Ltd. saw its shareholder qualification subject to the approval of CBIRC.

(2) China Mobile Communication Group Guangdong Limited ("Guangdong Mobile") was founded on 13 January 1998 with a registered capital of RMB5,594.84 million. Its registered address is Global Building, No. 11 Zhujiang West Road, Pearl River New City, Tianhe District, Guangzhou, and its legal representative is Wei Ming. Its unified social credit code is 91440000707653099T. Business scope of Guangdong Mobile covers mobile communication business in Guangdong (including voice, data and multimedia); IP telephone and internet access; design, investment and construction of mobile communications, IP telephone and internet network; installation, engineering construction and maintenance of facilities of mobile communications, IP telephone and internet; system integration, roaming settlement, technology development, technical services and equipment sales in connection with mobile communications, IP telephone and internet; sale and rent of mobile phone terminal equipment, IP telephone equipment, internet equipment and spare parts, and after-sale services for them; satellite international private line service, internet data transmission service, and international data communication service; domestic communications facility service business; domestic very small-aperture terminal (VSAT) ground station communication service, and network custody business; online data processing and transaction processing business, domestic internet-based virtual private network services, internet data center services; information services (including mobile information services and internet information services; internet information services excluding news, publishing, education, healthcare, pharmaceuticals, medical devices, electronic bulletin services, etc.); fixed networked-based local call service, fixed network-based domestic long-distance call service, fixed network-based international call service, public telegram and user telegraph service, professional wireless access (including 26GHz wireless access service and 3.5GHz wireless access service; 3.5GHz wireless access service not covering Guangzhou) (the above business types involving licensing operation shall be operated with licenses); design, production, release, agency of domestic and foreign advertising of all sorts; collection of water, electricity, and gas fees; ticketing agency service; sale of general merchandize, household appliances, electronic products, computers and accessories, wearable equipment, communication equipment and accessories, etc.; provision of professional trainings (excluding academic education and vocational trainings); provision of conference services; leasing of venues, self-owned houses, and counters; food and beverage services: production and sales of Chinese food, Western food and other ancillary services; hotel services: provision of accommodation and other ancillary/commercial services.

As at the end of the reporting period, Guangdong Mobile held 5,334,892,824 shares of the Bank, accounting for 18.18% of its total. In addition to ordinary shares, Guangdong Mobile also held 90,853,230 convertible bonds of the Bank, accounting for 18.17% of its total.

China Mobile Communications Co., Ltd. is the controlling shareholder of Guangdong Mobile, and China Mobile Communications Group Co., Ltd. is the de facto controller and ultimate beneficiary of Guangdong Mobile. China Mobile Communications Group Co., Ltd. nominated one director to the Bank, who was Zhang Dong.

7.5 Other Substantial Shareholders under the Regulatory Standards of the CBIRC

According to the Interim Measures for the Equity Management of Commercial Banks of the CBIRC, other substantial shareholders of the Bank are those who hold less than 5% of shares but have significant influence on the operation and management of the Bank, by dispatching directors and supervisors to the Bank or adopting other means recognized by the CBIRC or its local offices.

(1) China National Tobacco Corporation Jiangsu Company was founded on 18 March 1983 with a registered capital of RMB30.706 million. Its registered address is No.168 Changjiang Road, Nanjing, Jiangsu Province, and its legal representative is Liu Genfu. Its unified social credit code is 91320000134755468W. Its business scope covers the operation of tobacco stores, asset management, and house leasing.

As at the end of the reporting period, China National Tobacco Corporation Jiangsu Company held 230,058,982 shares of the Bank, accounting for 0.78% of its total. China National Tobacco Corporation is the sole shareholder, de facto controller, and ultimate beneficiary of China National Tobacco Corporation Jiangsu Company. China National Tobacco Corporation Jiangsu Company nominated one director to the Bank, who was Dong Guilin.

(2) Bailian Group Co., Ltd. was established on 8 May 2003 with a registered capital of RMB1 billion. Its registered address is 19/F, No.501, Zhangyang Road, China (Shanghai) Pilot Free Trade Zone, and its legal representative is Ye Yongming. Its unified social credit code is 91310000749599465B. Its business scope covers operation of state-owned assets, asset restructuring, investment development, domestic trade (except that subject to special approval), production materials, enterprise management, real estate development, and food sales.

As at the end of the reporting period, Bailian Group Co., Ltd. directly held 271,819,430 shares of the Bank, accounting for 0.93% of its total. It, together with the person acting in concert Shanghai Bailian Group Co., Ltd., held 390,431,854 shares of the Bank, accounting for 1.33% of its total.

Shanghai SASAC is the de facto controller and ultimate beneficiary of Bailian Group Co., Ltd. Bailian Group Co., Ltd. nominated one supervisor to the Bank, who was Sun Wei.

(3) Shanghai Jiushi (Group) Co., Ltd. was established on 30 December 1987, with a registered capital of RMB60 billion. Its registered address is No.28 Zhongshan South Road, Huangpu District, Shanghai and its legal representative is Guo Jianfei. Its unified social credit code is 9131000013221297X9.Its business scope covers utilization of domestic and foreign capital, urban transportation operation, infrastructure investment & management and resource development & utilization, land and property development & operation, property management, sports and tourism operation, equity investment, management and operation, information technology services, car rental, and consulting business.

As at the end of the reporting period, Shanghai Jiushi (Group) Co., Ltd. held 293,691,931 shares of the Bank, accounting for 1.00% of its total. It, together with the person acting in concert Shanghai Qiangsheng Group Co., Ltd., held 305,705,452 shares of the Bank, accounting for 1.04% of its total.

Shanghai SASAC is the sole shareholder, de facto controller, and ultimate beneficiary of Shanghai Jiushi (Group) Co., Ltd. Shanghai Jiushi (Group) Co., Ltd. nominated one supervisor to the Bank, who was Cao Yijian.

(4) Shanghai Jiulian Group Limited was established on 19 December 1999, with a registered capital of RMB625 million. Its registered address is No.618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone, and its legal representative is Li Qingfeng. Its unified social credit code is 91310000631672348E. Its business scope covers industrial investment, operation of refined oil, gas operation, domestic trade (except for that subject to special provisions of the State) and related consulting services, self-owned house leasing, wholesale of grain and oil, information technology services (except network), wholesale of coal (raw coal), and import & export of goods.

As at the end of the reporting period, Shanghai Jiulian Group Limited held 86,544,151 shares of the Bank, accounting for 0.29% of its total. It, together with the person acting in concert Shenergy Group Limited, held 156,592,133 shares of the Bank, accounting for 0.53% of its total. In addition to ordinary shares, Shanghai Jiulian Group Limited also held 1,322,080 convertible bonds of the Bank, accounting for 0.26%.

Shenergy (Group) Co., Ltd. is the controlling shareholder of Shanghai Jiulian Group Limited, and Shanghai SASAC is the de facto controller and ultimate beneficiary of Shanghai Jiulian Group Limited. Shanghai Jiulian Group Limited nominated one supervisor to the Bank, who was Li Qingfeng.

Section VIII Overview of Preference Shares

8.1 Issuance and Listing of Preference Shares as at the End of the Reporting Period

In 10,000 shares

Code of preference share	Abbreviation of preference share	Issuance date	Issuance price (RMB)	Nominal dividend rate (%)	Number of issued shares	Listing date	Trade volume of listing	Date of delisting
360003	SPDB P 1	28 November 2014	100	5.58	15,000	18 December 2014	15,000	-
360008	SPDB P 2	6 March 2015	100	4.81	15,000	26 March 2015	15,000	-

Notes: (1) On 3 December 2019, SPDB P 1’s nominal dividend rate was adjusted, and that rate for the second five years is 5.58%, which consists of 3.02% as the yield rate arithmetic mean of five-year government bond issued during the 20 trading days before the repricing date of the second dividend rate adjustment period (excluding the repricing date) and the fixed premium of 2.56%. The nominal dividend rate would be adjusted once every five years according to change of the benchmark interest rate.

(2) On 11 March 2020, SPDB P 2’s nominal dividend rate was adjusted, and that rate for the second five years is 4.81%, which consists of 2.57% as the yield rate arithmetic mean of five-year government bond issued during the 20 trading days before the repricing date of the second dividend rate adjustment period (excluding the repricing date) and the fixed premium of 2.24%. The nominal dividend rate would be adjusted once every five years according to change of the benchmark interest rate.

8.2 Overview of Shareholders of Preference Shares

8.2.1 Total number of shareholders of preference shares

	Code	Abbreviation	Total number of shareholders (accounts)
Total number of shareholders of preference shares as at the end of the reporting period	360003	SPDB P 1	31
	360008	SPDB P 2	17
Total number of shareholders of preference shares at the end of the month before the date of annual report disclosure	360003	SPDB P 1	31
	360008	SPDB P 2	17

8.2.2 Information on the top ten shareholders of preference shares as at the end of the reporting period

8.2.2.1 SPDB P 1

Name of shareholder	Number of shares held at the end of the period	Percentage (%)	Class of shares held	Pledged/frozen Number of shares	Nature of shareholder
Hwabao Trust Co., Ltd. - Baofu Investment No. 1 Collective Fund Trust Plan	18,004,545	12.00	Domestic preference shares	-	Others
Xinyuan Capital Management - Xinyuan Assets Xinmeihua No. 520 Collective Asset Management Plan	15,130,000	10.09	Domestic preference shares	-	Others
BOCOM Schroder Asset Management Co., Ltd. - BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	11,540,000	7.69	Domestic preference shares	-	Others
Ping An Life Insurance of China - Universal personal insurance	11,470,000	7.65	Domestic preference shares	-	Others
Ping An Life Insurance of China - Personal insurance bonus	11,470,000	7.65	Domestic preference shares	-	Others
Ping An Property & Casualty Insurance Company of China Ltd. - Ordinary insurance product	11,470,000	7.65	Domestic preference shares	-	Others
Bosera Funds - Flexible Allocation No. 5 Specific Multiple Customer Asset Management Plan	11,465,455	7.64	Domestic preference shares	-	Others
BOCOM Schroder Asset Management Co., Ltd. - BOCOM Schroder Asset Management Zhuoyuan No. 1 Collective Asset Management Plan	9,180,000	6.12	Domestic preference shares	-	Others
Sun Life Everbright Asset Management - Sun Life Everbright Assets Juyou No. 2 Equity Asset Management Product	7,810,000	5.21	Domestic preference shares	-	Others
Taikang Life Insurance Co., Ltd. - Personal insurance bonus - 019L- FH002 Hu	5,770,000	3.85	Domestic preference shares	-	Others

Statement on whether there is connected relation among the top ten shareholders of	1. BOCOM Schroder Asset Management Co., Ltd. - BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan and BOCOM Schroder Asset Management Co., Ltd. - BOCOM Schroder Asset Management Zhuoyuan No. 1 Collective Asset Management Plan are under the same legal person.

preference shares and between the above shareholders and the top ten shareholders of ordinary shares, and whether they are persons acting in concert	2. Ping An Life Insurance of China - Universal personal insurance, Ping An Life Insurance of China - Personal insurance bonus and Ping An Property & Casualty Insurance Company of China Ltd. - Ordinary insurance product are persons acting in concert. Connected relations or concerted action relations of the aforesaid shareholders apart from the situations mentioned above are unknown to the Bank.

8.2.2.2 SPDB P 2

Name of shareholder	Number of shares held at the end of the period	Percentage (%)	Class of shares held	Pledged/frozen	Nature of shareholder
People's Insurance Company of China - Ordinary insurance product - 008C - CT001 Hu	34,880,000	23.25	Domestic preference shares	-	Others
Ping An Life Insurance of China - Personal insurance bonus	20,360,000	13.57	Domestic preference shares	-	Others
Ping An Life Insurance of China - Self-owned funds	19,500,000	13.00	Domestic preference shares	-	Others
Ping An Life Insurance of China - Universal personal insurance	19,500,000	13.00	Domestic preference shares	-	Others
Bank of China Shanghai Branch	10,460,000	6.97	Domestic preference shares	-	Others
Ping An Property & Casualty Insurance Company of China Ltd. - Ordinary insurance product	10,450,000	6.97	Domestic preference shares	-	Others
BOCOM Schroder Asset Management Co., Ltd. - BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	6,970,000	4.65	Domestic preference shares	-	Others
CITIC Securities - CITIC Securities Xingchen No. 28 Collective Asset Management Plan	5,580,000	3.72	Domestic preference shares	-	Others
Xinyuan Capital Management - Xinyuan Assets Xinmeihua No. 520 Collective Asset Management Plan	5,460,000	3.64	Domestic preference shares	-	Others
Sun Life Everbright Asset Management - Sun Life Everbright	5,000,000	3.33	Domestic preference	-	Others

Assets Juyou No. 2 Equity Asset Management Product				shares		

Statement on whether there is connected relation among the top ten shareholders of preference shares and between the above shareholders and the top ten shareholders of ordinary shares, and whether they are persons acting in concert	Ping An Life Insurance of China - Personal insurance bonus, Ping An Life Insurance of China - Self-owned funds, Ping An Life Insurance of China - Universal personal insurance and China Ping An Property & Casualty Insurance Co., Ltd. - Ordinary insurance product are persons acting in concert. Connected relations or concerted action relations of the aforesaid shareholders apart from the situations mentioned above are unknown to the Bank.

8.3 Distribution of Dividends on Preference Shares

8.3.1 Distribution of dividends on preference shares during the reporting period

On 26 February 2021, the Bank disclosed the Announcement on Distribution of Dividends on Preference Shares (Tranche II). The equity registration date for distribution in this tranche of preference shares' dividends is 10 March 2021, and the ex-dividend date is 10 March 2021. The start date of interest accrual for dividend distribution is 11 March 2020 and the date of dividend distribution is 11 March 2021. Based on the nominal dividend rate 4.81% of SPDB P 2, the cash dividend to be distributed per share would be RMB4.81 (tax inclusive), and the total dividends would be RMB721.5 million (tax inclusive).

On 20 November 2021, the Bank disclosed the Announcement on Distribution of Dividends on Preference Shares (Tranche I). The equity registration date for distribution in this tranche of preference shares' dividends is 2 December 2021, and the ex-dividend date is 2 December 2021. The start date of interest accrual for dividend distribution is 3 December 2021 and the date of dividend distribution is 3 December 2021. Based on the nominal dividend rate 5.58% of SPDB P 1, the cash dividend to be distributed per share would be RMB5.58 (tax inclusive), and the total dividends would be RMB837 million (tax inclusive).

8.3.2 Distribution of dividends on preference shares in the recent three years

In RMB100 millions

Year	Distribution amount of dividends on preference shares	Remarks
2021	15.585	Dividend distribution of SPDB P 1 and SPDB P 2
2020	16.62	Dividend distribution of SPDB P 1 and SPDB P 2
2019	17.25	Dividend distribution of SPDB P 1 and SPDB P 2

8.4 Repurchase and Conversion of Preference Shares of the Bank during the Reporting Period

The Bank had no repurchase and conversion of preference shares during the reporting period.

8.5 Voting Right on Preference Shares Recovered during the Reporting Period

The Bank had no voting rights on preference shares recovered during the reporting period.

8.6 Accounting Policies Adopted by the Bank for Preference Shares and the Reasons

The Bank classified the preference shares into financial assets, financial liabilities or equity instruments at the time of initial recognition, according to the standards of financial instruments, the provisions in contract for issuing preference shares, the economic substance reflected, and based on definitions of financial assets, financial liabilities and equity instruments. If the following conditions are met concurrently, the Bank will classify the financial instruments issued as equity instruments: (1) Such financial instruments do not involve delivering cash or other financial assets to other parties, or the contract obligations of exchanging financial assets or financial liabilities with other parties in potentially adverse conditions; (2) in case the Bank's own equity instruments are to be used or may be used for settling accounts for such financial instruments in the future, and such instruments are non-derivative instruments, there would be no contract obligation of delivering variable quantity of its own equity instruments for settlement; if the instruments are derivative instruments, only the fixed quantity of equity instruments can be used for exchanging for fixed amount of cash or other financial assets may be used for settling accounts of such financial instruments.

On 28 November 2014 and 6 March 2015, the Bank issued non-cumulative preference shares with the offering value of RMB30 billion in total to domestic investors. The proceeds were accrued to other equity instruments with issuance expense deducted. The Bank has the option to redeem part or all outstanding preference shares on any dividend payment date after five years from the issuance if certain conditions are met, under the approval by the CBIRC. Holders of the preference shares have no right to require the Bank to redeem the outstanding preference shares. Dividends of the preference shares are payable in cash on an annual basis at a fixed dividend rate which is adjusted every five years. The Bank has the right to not to declare or distribute the dividends of preference shares in part or in full.

Upon occurrence of any of the following triggering events and subject to the approval from the CBIRC, the Bank's outstanding preference shares shall be mandatorily converted in part or in full to the Bank's ordinary shares: (1) when the core tier-one capital adequacy ratio of the Bank decreases to 5.125% or below, upon the approval from the Board of Directors, the outstanding preference shares shall be converted to the Bank's ordinary A shares in part or in full at a pre-determined mandatory conversion price so as to bring the Bank's core tier-one capital adequacy ratio back to 5.125% and above; (2) when any triggering event of the Bank's tier-two capital instruments occurs, the outstanding preferred shares shall be converted to the Bank's ordinary A shares at the pre-determined mandatory conversion price.

Under the approval from the regulator, the outstanding preference shares will be fully or partially converted to ordinary A shares at the price of RMB7.62 per share when meeting the mandatory conversion triggering conditions. Following the date of approving the preference share issuance plan by the Board of Directors, if the Bank subsequently appropriates bonus shares, converts capital reserve to share capital, issues new ordinary shares (excluding any increase of ordinary shares due to conversion of convertible financial instruments issued by the Bank, such as preference shares and convertible corporate bonds) or issues rights, the conversion price shall be adjusted subject to the set formula based on the order of occurrence of the above conditions.

Pursuant to the relevant laws and regulations as well as the Approval from CBRC on SPD Bank's Non-public Offering of Preference Shares and Corresponding Revisions to the Articles of Association (Y.J.F. No.564, 2014), the proceeds from the issuance of preference shares shall be used to supplement additional tier-one capital of the Bank. Upon liquidation, the holders of the Bank's preference shares are entitled to the repayment at the par value of the outstanding preference shares prior to any distribution to the holders of the Bank's ordinary shares. If the remaining assets of the Bank are not sufficient to cover the par value, they are allocated to the holders of preference shares on proportionate basis.

The Bank recognized the preference shares as other equity instruments based on the contract terms and economic substance of the issuance.

Section IX Bonds

9.1 Information of Convertible Corporate Bonds

9.1.1 Issuance of convertible bonds

On 1 November 2019, the Bank finished issuing the A share convertible corporate bonds (hereinafter referred to as "the convertible bonds"). The proceeds amounted to RMB50 billion and the net funds stood at some RMB49,912 million after deducting the issuance expense. On 15 November 2019, the abovementioned A share convertible bonds were listed on SSE (stock name: SPDB Convertible Bond, stock code: 110059).

9.1.2 Convertible bond holders and guarantors during the reporting period

Number of convertible bond holders as at the end of the reporting period	46,360	
Guarantor of convertible bonds of the Bank	None	
Top ten convertible bond holders	Nominal value of bonds held	Percentage (%)
China Mobile Communication Group Guangdong Limited	9,085,323,000	18.17
Special account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China (ICBC))	5,233,436,000	10.47
Shanghai International Group Co., Ltd.	3,284,968,000	6.57
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China (BOC))	3,208,807,000	6.42
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	2,597,209,000	5.19
Specific account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China (ABC))	2,012,274,000	4.02
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	2,002,575,000	4.01
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank (CCB))	1,927,356,000	3.85

Special account for collateralized bond repurchase in the securities depository and clearing system (China CITIC Bank)	889,365,000	1.78
Special account for collateralized bond repurchase in the securities depository and clearing system (CITIC Securities Co., Ltd.)	716,246,000	1.43

9.1.3 Changes in convertible bonds during the reporting period

As at 31 December 2021, a total of RMB1,290,000 of SPDB Convertible Bonds had been converted into ordinary shares of the Bank, and the cumulative number of converted shares was 87,609, accounting for 0.0003% of the total issued ordinary shares of the Bank before the conversion of SPDB Convertible Bonds. The amount of SPDB Convertible Bonds that have not been converted into shares was RMB49,998,710,000, accounting for 99.9974% of the total amount of SPDB Convertible Bonds issued.

Name of convertible corporate bonds	Before change (RMB)	Change during the reporting period (RMB)			After change (RMB)
		Conversion	Redemption	Back-sell	
SPDB Convertible Bond	49,999,099,000	389,000	-	-	49,998,710,000

Amount of conversion during the reporting period (RMB)	389,000
Number of converted shares during the reporting period (share)	27,113
Accumulated converted shares (share)	87,609
Percentage of accumulative converted shares of total outstanding shares prior to conversion (%)	0.0003
Amount of unconverted convertible bonds (RMB)	49,998,710,000
Proportion of unconverted convertible bonds to total issued convertible bonds (%)	99.9974

9.1.4 Previous adjustments of conversion price

The Bank distributed profit for ordinary A shares for 2020 on 21 July 2021. Pursuant to the Prospectus of Shanghai Pudong Development Bank Co., Ltd. for Public Issuance of Convertible Corporate Bonds as well as pertinent laws and regulations, if the Bank’s equity changes as it distributes cash dividends after the issuance of convertible bonds, the conversion price of convertible bonds shall be adjusted accordingly. Therefore, after the profit distribution, the initial conversion price of SPDB Convertible Bond was adjusted from RMB14.45 per share to RMB13.97 per share as of 21 July 2021 (ex-dividend date).

The adjustments to conversion prices are as follows:

Conversion price before adjustment	Conversion price after adjustment	Disclosure date	Disclosed on	Notes on conversion price adjustment
RMB14.45 per share	RMB13.97 per share	13 July 2021	China Securities Journal, Shanghai Securities News, Securities Times, SSE website, the Bank's website	Adjusted due to profit distribution

9.1.5 The Bank's outstanding debts, creditworthiness and availability of cash for repayment of debts in future years

In accordance with the applicable provisions in the Administrative Measures for the Issuance of Securities by Listed Companies, the Administrative Measures for the Issuance and Trading of Corporate Bonds, and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Bank entrusted Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (hereinafter referred to as "Shanghai Brilliance" for short) to rate the credit standing of the convertible bonds issued in October 2019. Shanghai Brilliance issued the Credit Rating Report of Shanghai Pudong Development Bank Co., Ltd. on A Share Convertible Corporate Bonds, indicating the corporate credit rating at AAA with a stable prospect and the credit rating of the SPDB Convertible Bond as AAA. The Bank managed to remain stable in all aspects of operation, as exemplified by the reasonable asset structure, the basically steady liabilities, and the robust credit position. In future years, cash inflow brought by the income from normal operations, realization of current assets, and others will constitute the principal cash sources for the Bank's debt service. After making a comprehensive analysis and assessment of the Bank's operation and the landscape of the banking industry, the rating agency Shanghai Brilliance issued the Follow-up Rating Report of the Publicly Issued Convertible Corporate Bonds of Shanghai Pudong Development Bank Co., Ltd. on 24 May 2021, which maintained the issuer credit rating of the Bank at AAA with a stable rating outlook, and the rating of SPDB Convertible Bond at AAA. There was no change compared with last rating.

9.2 Financial Bonds of the Bank

On 25 March 2021, the Bank finished issuing the 2021 Tranche 1 Financial Bonds in the national interbank bond market upon the approval of the CBIRC and the PBC. The 3-year fixed rate bonds came in a size of RMB60 billion, with a coupon rate of 3.48%. On 6 December 2021, the Bank finished issuing the 2021 Tranche 2 Financial Bonds in the national interbank bond market. The 3-year fixed rate bonds came in a size of RMB40 billion, with a coupon rate of 2.97%.

All funds raised by the aforesaid bonds shall be used to meet the needs of asset and liability allocation of the Bank, diversify the sources of funds, optimize the maturity structure of liabilities, and promote the steady development of its business in line with applicable laws and upon the approval of regulators.

Section X Financial Report

10.1 2021 Financial Statements and Auditor's Report Prepared Based on ASBE (See the Appendix)

10.2 2021 Financial Statements and Auditor's Report Prepared Based on IFRS (See the Appendix)

10.3 Supplementary Data

Return on equity and earnings per share calculated based on No. 9 Rules for Preparation of Information Disclosure Documents by Companies Offering Securities to the Public published by the CSRC:

	Return on equity (%)		Earnings per share (RMB)	
Profit in the reporting period	Fully diluted	Weighted average	Basic	Fully diluted
Net profit attributable to the parent company's ordinary shareholders	8.51	8.75	1.62	1.50
Net profit attributable to the parent company's ordinary shareholders deducting the non-recurring profit or loss	8.43	8.67	1.61	1.48

Section XI Catalogue of Documents for Reference

11.1 Accounting Statements Bearing Signatures and Stamps of the Legal Representative, the President, the CFO and the Person in Charge of the Accounting Institution

11.2 Original of the Auditor's Report Bearing Stamp of the Accounting Firm as well as Signature and Stamp of the CPAs

11.3 2021 Internal Control Assessment Report of the Bank and 2021 Corporate Social Responsibility Report of the Bank

Chairman: Zheng Yang

Board of Directors of Shanghai Pudong Development Bank Co., Ltd.

26 April 2022

Shanghai Pudong Development Bank Co., Ltd.

Financial Statements and Auditor’s Report
For the year ended 31 December 2021

English translation of the Financial Statements

IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITOR'S REPORT

KPMG Huazhen Shenzi NO. 2204410

The Shareholders of Shanghai Pudong Development Bank Co., Ltd.:

Opinion

We have audited the financial statements of Shanghai Pudong Development Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 1 to 156, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2021, the consolidated and the Bank's statement of profit or loss and other comprehensive income, the consolidated and the Bank's statement of cash flows and the consolidated and the Bank's statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the consolidated and the Bank's financial positionas at 31 December 2021 and of its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the the Ministry of Finance of the People's Republic of China.

Basis for opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

AUDITOR’S REPORT (continued)

KPMG Huazhen Shenzi NO. 2204410

Key audit matters (continued)

Measurement of expected credit loss (“ECL”) for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments	
Refer to Notes III.8.(6), V.6, V.7(b), V.15, V.24, XII.1(1), XII.1(3), XII.1(4) and XII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments involves significant management judgments. The Group established internal controls for the ECL measurement.	Our audit procedures to assess ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments included the following: • Understanding and evaluating the design and operating effectiveness of the key internal controls over financial reporting related to ECL measurement for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments: - Understanding and evaluating the design and operating effectiveness of the key internal controls of the financial reporting process, including credit approval, recording, monitoring, periodic re-evaluation of credit grading, and the accrual of loss allowance; in particular, we assessed the design and operating effectiveness of the key internal controls over financial reporting related to the classification of loans by credit quality across all stages, financial investment at amortized cost, credit quality of financial guarantees and loan commitments; - Understanding and evaluating the design and operating effectiveness of information system controls, including: general information technology control, completeness of key internal historical data, inter-system data transmission, mapping of parameters of ECL model, and system calculation logic of loss allowance for ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments, based on the works of our Information Technology Risk Management (“IRM”) Specialists and Financial Risk Management (“FRM”) Specialists;

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes III.8.(6), V.6, V.7(b), V.15, V.24, XII.1(1), XII.1(3), XII.1(4) and XII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group assesses whether the credit risks of loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments have increased significantly since their initial recognition, and applies a three – stage impairment model to measure their ECL. For loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.	• Based on the work of FRM Specialists, evaluating the reliability of ECL models and parameters used, including prudently evaluating probability of default, loss given default, exposure at default, discount rate, forwar adjustment and other adjustment factors, and evaluating the reasonableness of key management jugments involved, based on the work of FRM Specialists including whether the macro-economy condition under the impact of COVID-19 has been taken into account or not: • Evaluating the completeness and accuracy of key data used by the ECL models. For key internal data related to the original business files, we compared the respective amount of loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments used by the management to evaluate the loss allowances with the general ledger amounts, in order to assess the completeness of lists. Select samples and compare the information of the loans and advances to customers and financial investment at amortized cost, financial guarantees and loan commitments with relevant agreements and other relevant documents to assess the accuracy of the lists. For key external data, we compared it with public information to check its accuracy; • Evaluating key parameters involving subjective judgments by seeking evidence from external sources and comparing it with internal records including historical loss scenarios and security types. As part of these procedures, we inquired management about the reasons for modifictions of key estimates and parameters input, and assessed the consistency of judgement used by management;

AUDITOR'S REPORT (continued)

KPMG Huazhen Shenzi NO. 2204410

Key audit matters (continued)

<table>
<tr><td colspan="2">Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</td></tr>
<tr><td colspan="2">Refer to Notes III.8.(6), V.6, V.7(b), V.15, V.24, XII.1(1), XII.1(3), XII.1(4) and XII.1(5) to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following:

(1) Division of business operations sharing similar credit risk characteristics into the same group, selection of appropriate models and determination of relevant key parameters;

(2) Criteria for determining a significant increase in credit risk, default and credit impairments;

(3) Application of economic indicators for prospective measurement, economic scenarios and their respective weightings.

The economic impacts of COVID-19 haves increased the estimation uncertainties of the assumption related to accounting estimates.</td><td>• Comparing the predictive economic indicators used by the management to measure the ECL in the previous year with the actual situation of the current year to consider whether there are indicators of management bias;

• For key internal data which was generated by the system calculation, we selected samples and compared the input data used in the system with the original business files to evaluate the accuracy of the data input. In addition, based on the work of IRM Specialists, we selected samples and tested the logic of preparing overdue information of loans and advances to customers;

• Selecting samples to assess the reasonableness of management judgement on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. We analysed the loan portfolio by industry sector to select samples in industried sensitive to the current business cycle and regulatory policies. We also focused on loans with perceived higher risk and selected samples from non-performing loans, overdue but performing loans and borrowers with warning signs, adverse press coverage or split ratings. On the basis of sample selection, we reviewed the business documents, checked the overdue information, inquired customer managers about about the operation conditions of borrowers, checked the financial information of the borrower and searched for market information about the borrower's business and operation;</td></tr>
</table>

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes III.8.(6), V.6, V.7(b), V.15, V.24, XII.1(1), XII.1(3), XII.1(4) and XII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Measurement of ECL for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments is subject to inherent uncertainty and involves management judgments, and has an important influence on operation conditions and cap ital positions of the Group. In view of these reasons, we identified ECL measurement as a key audit matter.	• Performing credit reviews for the selected credit impaired loans and advances to customers and financial investment at amortized cost by assessing the forecast of recoverable cash flows through inquiry, applying professional judgment and performing independent research. We also evaluated the timing and realisation method of collaterals and considered other sources of repayment asserted by the management. We Assessed the consistency of the application of key assumptions made by the management and compared the assumptions with our data sources; • Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group; • According to the relevant accounting standards, evaluate the reasonableness of the information disclosure of financial statements in terms of loans and advances to customers, financial investments measured at amortised cost, financial guarantee contracts and loan commitments.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shenzi NO. 2204410

Key audit matters (continued)

<table>
<tr><td colspan="2">Consolidation of structured entities</td></tr>
<tr><td colspan="2">Refer to Notes III.4 and VII to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an asset-backed security, a trust plan, an asset management plan or a securities investment fund.</td><td>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:

• Making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;

• Selecting structured entities of each key product type and performing the following procedures for each structured entity selected:

- Inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

- Inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th colspan="2">Consolidation of structured entities (continued)</th></tr>
<tr><td colspan="2">Refer to Notes III.4 and VII to the financial statements.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.</td><td>• Selecting structured entities of each key product type and performing the following procedures for each structured entity selected (continued):

- Evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity;

- Assessing management's judgement over whether the structured entity should be consolidated or not;

• Evaluating the disclosures relating to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><td colspan="2">Assessment of the fair value of financial instruments</td></tr>
<tr><td colspan="2">Refer to Notes III.8, III.23 and XII.4 to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Financial instruments carried at fair value account for a significant part of the Group's assets/ iabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.

Besides, the Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• Assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;

• Assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data;

• Engaging our Financial Risk Management specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation model of the Group with the industry-wide accepted valuation methodology, developing parallel models, obtaining inputs independently and verifying the inputs;

• Assessing the appropriate application of fair value adjustment that form an integral part of fair values, inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and

• Assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

AUDITOR’S REPORT (continued)

KPMG Huazhen Shenzi NO. 2204410

Other Information

Management is responsible for the other information. The other information comprises all the information included in the 2021 annual report, other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(5) Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG Huazhen Shenzi NO. 2204410

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People's
Republic of China

Beijing, China

Shi Haiyun (Engagement Partner)

Dou Youming

26 April 2022

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Balance Sheets
as at 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Assets					
Cash and balances with central bank	V.1	420,996	489,088	416,110	484,262
Deposits with banks and other financial institutions	V.2	125,836	151,796	115,463	143,447
Placements with banks and other financial institutions	V.3	307,945	234,131	309,958	238,959
Precious metals		13,151	44,969	13,151	44,969
Derivative financial assets	V.4	33,773	63,589	33,756	63,589
Financial assets purchased under resale agreements	V.5	117	36,526	101	36,526
Loans and advances to customers	V.6	4,690,954	4,430,228	4,594,234	4,339,333
Financial investments:	V.7				
- Trading assets		526,034	549,149	487,998	514,468
- Debt investments		1,306,188	1,169,777	1,304,324	1,167,536
- Other debt investments		479,619	577,786	475,294	571,508
- Other equity investments		7,082	5,835	7,082	5,835
Long-term equity investments	V.8	2,819	2,401	26,820	26,434
Fixed assets	V.9	38,708	32,364	18,308	16,250
Right-of-use assets	V.10	8,560	N/A	8,118	N/A
Intangible assets	V.11	10,538	10,523	8,239	8,234
Goodwill	V.12	6,981	6,981	-	-
Deferred income tax assets	V.13	58,962	52,157	57,542	50,853
Other assets	V.14	98,494	92,918	92,763	86,089
Total assets		8,136,757	7,950,218	7,969,261	7,798,292

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Balance Sheets (continued)
as at 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Liabilities and equity					
Liabilities					
Borrowing from central bank		236,317	274,346	235,223	272,964
Deposits from banks and other financial institutions	V.16	924,078	1,182,890	932,551	1,193,043
Placements from banks and other financial institutions	V.17	182,697	182,682	102,727	117,013
Trading liabilities	V.18	31,280	16,057	19,954	6,067
Derivative financial liabilities	V.4	29,528	61,146	29,507	61,137
Financial assets sold under repurchase agreements	V.19	174,219	232,346	170,038	225,425
Deposits from customers	V.20	4,463,608	4,122,407	4,431,975	4,090,341
Employee benefits payable	V.21	14,865	13,822	13,068	12,183
Taxes payable	V.22	30,429	27,693	28,905	26,242
Debt securities issued	V.23	1,317,121	1,140,653	1,303,891	1,127,379
Deferred income tax liabilities	V.13	638	689	-	-
Lease liabilities	V.10	8,451	N/A	7,993	N/A
Provisions	V.24	6,275	5,280	6,272	5,276
Other liabilities	V.25	39,033	44,390	32,806	36,655
Total liabilities		7,458,539	7,304,401	7,314,910	7,173,725

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Balance Sheets (continued)
as at 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Liabilities and equity (continued)					
Equity					
Ordinary shares	V.26	29,352	29,352	29,352	29,352
Other equity instruments	V.27	112,691	112,691	112,691	112,691
Capital reserves	V.28	81,762	81,761	81,712	81,711
Other comprehensive income	V.29	2,821	3,976	2,849	3,349
Surplus reserves	V.30	159,292	142,739	159,292	142,739
General risk reserve	V.31	90,993	79,640	89,000	78,000
Retained earnings	V.32	193,096	188,038	179,455	176,725
Equity attributable to the shareholders of the Bank		670,007	638,197	654,351	624,567
Minority interests		8,211	7,620	-	-
Total equity		678,218	645,817	654,351	624,567
Total liabilities and equity		8,136,757	7,950,218	7,969,261	7,798,292

These financial statements were approved for issued by the Board of Directors of the Bank on 26 April 2022.

Chairman of the board of the directors:	President:	Chief Financial Officer:	Head of the finance and accounting department:

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Income Statements

(Expressed in millions of RMB unless otherwise stated)

	Note	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Operating income		190,982	196,384	180,380	185,057
Interest income		300,693	294,985	295,132	290,103
Interest expense		(164,735)	(156,404)	(161,564)	(153,741)
Net interest income	V.33	135,958	138,581	133,568	136,362
Fee and commission income		39,847	44,257	35,488	40,158
Fee and commission expense		(10,713)	(10,311)	(10,778)	(10,409)
Net fee and commission income	V.34	29,134	33,946	24,710	29,749
Investment income	V.35	17,297	18,980	16,238	17,767
Including: Income from joint ventures and associates		*223*	*146*	*190*	*130*
Gain or loss from derecognition of financial assets at amortized cost		*1,010*	*433*	*1,010*	*433*
Other income		856	720	179	255
Gains or losses from change of fair value	V.36	4,504	2,220	4,599	797
Foreign exchange gains	V.37	813	(215)	810	(175)
Other operating income		2,394	2,160	250	310
Gains or losses on disposal of assets		26	(8)	26	(8)
Operating expense		(131,777)	(129,648)	(125,777)	(123,165)
Taxes and surcharges		(2,004)	(2,117)	(1,922)	(2,034)
General and administrative expenses	V.38	(49,978)	(46,702)	(46,549)	(43,706)
Impairment on credit losses	V.39	(78,331)	(79,547)	(77,175)	(77,328)
Impairment losses on other assets		(13)	(6)	(13)	(3)
Other operating expenses		(1,451)	(1,276)	(118)	(94)

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Income Statements (continued)
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group		The Bank	
		2021	2020	2021	2020
Operating profit		59,205	66,736	54,603	61,892
Add: Non-operating income		103	137	93	126
Less: Non-operating expenses		(237)	(191)	(203)	(143)
Profit before income tax		59,071	66,682	54,493	61,875
Less: Income tax expense	V.40	(5,305)	(7,689)	(4,184)	(6,699)
Net profit for the year		53,766	58,993	50,309	55,176
1. Classification according to the ability of going concern					
- Going concern net profit		53,766	58,993	50,309	55,176
-Discontinued operation net profit		-	-	-	-
2. Classification according to shareholders					
- Shareholders of the Bank		53,003	58,325	50,309	55,176
- Minority interests		763	668	-	-

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Income Statements (continued)
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Other comprehensive income after tax	V.29	(1,153)	(3,307)	(500)	(3,321)
Other comprehensive income attributes to shareholders of the parent company, after tax		(1,155)	(3,291)	(500)	(3,321)
Items that may be reclassified to profit or loss		(1,183)	(2,946)	(528)	(2,976)
- Other comprehensive income recognised under equity method		1	-	1	-
- Changes in fair value of other debt investments		(440)	(3,521)	(102)	(3,401)
- Credit impairment allowance of other debt investments		(664)	747	(439)	484
- Cash flow hedge reserve		20	(2)	5	2
- Translation differences arising from translation of foreign currency financial statements		(100)	(170)	7	(61)
Item that will not be reclassified to profit or loss		28	(345)	28	(345)
- Changes in fair value of other equity investments		28	(345)	28	(345)
Other comprehensive income attributes to minority interests, after tax		2	(16)	-	-
Total comprehensive income		52,613	55,686	49,809	51,855
Attributable to:					
- Shareholders of the Bank		51,848	55,034	49,809	51,855
- Minority interests		765	652	-	-
Earnings per share (Expressed in RMB)	V.41				
Basic earnings per share attributable to the shareholders of the Bank		1.62	1.88		
Diluted earnings per share attributable to the shareholders of the Bank		1.50	1.73		

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Cash flows from operating activities					
Net increase in deposits from customers and deposits from banks and other financial institutions		68,864	630,325	67,720	628,494
Net increase in borrrowig from central bank		-	40,593	-	39,700
Net increase in placements from banks and other financial institutions		86	20,274	-	-
Net increase in repurchase activities		-	4,810	-	-
Net decrease in deposits with banks and central bank		4,645	21,233	5,573	21,735
Net decrease in resale activities		-	832	-	832
Cash received from interest		248,518	247,891	241,904	242,799
Cash received from fee and commissions		42,486	46,954	38,007	42,664
Cash received from other operating activities		63,190	15,568	59,692	12,888
Subtotal of cash inflows		427,789	1,028,480	412,896	989,112
Net increase in loans and advances to customers		(324,198)	(571,450)	(318,587)	(553,977)
Net decrease in deposits from customers, banks and other financial institutions		(5,512)	(22,022)	(600)	(18,485)
Net increase in financial assets held for trading		(48,709)	(62,677)	(47,331)	(60,981)
Net increase in placements with banks and other financial institutions		-	-	(14,260)	(471)
Net decrease in repurchase activities		(58,097)	-	(55,357)	(2,111)
Net reduction in borrowing from central banks		(37,284)	-	(36,997)	-
Net increase in resale activities		(57)	-	(58)	-
Cash paid for interest		(113,391)	(111,896)	(110,780)	(110,067)
Cash paid for fee and commission		(11,484)	(10,971)	(11,498)	(11,019)
Cash paid to and on behalf of employees		(27,645)	(26,595)	(25,460)	(24,967)
Cash paid for taxes		(26,804)	(31,354)	(24,496)	(28,241)
Cash paid for other operating activities		(31,800)	(65,130)	(28,517)	(64,521)
Subtotal of cash outflows		(684,981)	(902,095)	(673,941)	(874,840)
Net cash flows (used in) / generated from operating activities	V.43	(257,192)	126,385	(261,045)	114,272

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2021	2020	2021	2020
Cash flows from investing activities				
Redemption of investment securities	1,556,457	1,926,503	1,552,560	1,887,873
Cash received from investment income	73,018	85,243	72,096	84,681
Cash received from other investing activities	425	309	130	242
Subtotal of cash inflows	1,629,900	2,012,055	1,624,786	1,972,796
Purchase of investment securities	(1,575,875)	(2,147,940)	(1,575,192)	(2,096,373)
Cash paid to purchase fixed assets, intangible assets and other long-term assets	(11,285)	(5,792)	(5,595)	(4,510)
Subtotal of cash outflows	(1,587,160)	(2,153,732)	(1,580,787)	(2,100,883)
Net cash flows generated from / (used in) investing activities	42,740	(141,677)	43,999	(128,087)

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group		The Bank	
		2021	2020	2021	2020
Cash flows from financing activities					
Proceeds from insurance of bonds and deposit certificates		1,346,368	1,366,158	1,341,374	1,362,056
Subtotal of cash inflows		1,346,368	1,366,158	1,341,374	1,362,056
Repayment of debt securities issued		(1,170,787)	(1,179,103)	(1,165,786)	(1,176,093)
Cash paid for dividends and interest of debt securities issued		(57,392)	(52,921)	(56,684)	(52,175)
Payment for other financing activities		(3,324)	-	(3,191)	-
Subtotal of cash outflows		(1,231,503)	(1,232,024)	(1,225,661)	(1,228,268)
Net cash flows generated from financial activities		114,865	134,134	115,713	133,788
Effect of exchange rate changes on cash and cash equivalents		(2,905)	(5,308)	(3,730)	(5,195)
Net (decrease) / increase in cash and cash equivalents	V.43	(102,492)	113,534	(105,063)	114,778
Add: Cash and cash equivalents at the beginning of the year	V.42	318,618	205,084	312,615	197,837
Cash and cash equivalents at the end of the year	V.42	216,126	318,618	207,552	312,615

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated statement of changes in owners' equity
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

		Equity attributable to the shareholder of Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Subtotal	Minority interests	Total
Balance at 1 January 2020		29,352	112,691	81,761	3,976	142,739	79,640	188,038	638,197	7,620	645,817
Changes in accounting policies	III.34	-	-	-	-	-	-	(597)	(597)	(4)	(601)
Balance at 1 January 2021		29,352	112,691	81,761	3,976	142,739	79,640	187,441	637,600	7,616	645,216
Changes in equity during the year											
Net profit		-	-	-	-	-	-	53,003	53,003	763	53,766
Other comprehensive income	V.29	-	-	-	(1,155)	-	-	-	(1,155)	2	(1,153)
Increase in capital											
- Conversion of convertible bonds into equity	V.28	-	-	1	-	-	-	-	1	-	1
Profit appropriation											
- Appropriation to surplus reserves	V.30	-	-	-	-	16,553	-	(16,553)	-	-	-
- Appropriation to general risk reserves	V.31	-	-	-	-	-	11,353	(11,353)	-	-	-
- Cash dividends to paid to ordinary shareholders	V.32	-	-	-	-	-	-	(14,089)	(14,089)	-	(14,089)
- Cash dividends to paid to preference shareholders	V.32	-	-	-	-	-	-	(1,559)	(1,559)	-	(1,559)
- Interests payment of perpetual bond	V.32	-	-	-	-	-	-	(3,794)	(3,794)	-	(3,794)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	(170)	(170)
Balance at 31 December 2021		29,352	112,691	81,762	2,821	159,292	90,993	193,096	670,007	8,211	678,218

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated statement of changes in owners' equity
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

		Equity attributable to the shareholder of Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Subtotal	Minority interests	Total
Balance at 1 January 2020		29,352	62,698	81,760	7,267	125,805	76,249	170,730	553,861	7,190	561,051
Changes in equity during the year											
Net profit		-	-	-	-	-	-	58,325	58,325	668	58,993
Other comprehensive income	V.29	-	-	-	(3,291)	-	-	-	(3,291)	(16)	(3,307)
Increase in capital											
- Capital bonds with unfixed terms	V.27	-	49,993	-	-	-	-	-	49,993	-	49,993
- Conversion of convertible bonds into equity	V.28	-	-	1	-	-	-	-	1	-	1
Profit appropriation											
- Appropriation to surplus reserves	V.30	-	-	-	-	16,934	-	(16,934)	-	-	-
- Appropriation to general risk reserves	V.31	-	-	-	-	-	3,391	(3,391)	-	-	-
- Cash dividends to paid to ordinary shareholders	V.32	-	-	-	-	-	-	(17,611)	(17,611)	-	(17,611)
- Cash dividends to paid to preference shareholders	V.32	-	-	-	-	-	-	(1,662)	(1,662)	-	(1,662)
- Interests payment of perpetual bond	V.32	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	(222)	(222)
Balance at 31 December 2020		29,352	112,691	81,761	3,976	142,739	79,640	188,038	638,197	7,620	645,817

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Statement of changes in owners' equity
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	Note	Share Capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total
Balance at 1 January 2020		29,352	112,691	81,711	3,349	142,739	78,000	176,725	624,567
Changes in accounting policies		-	-	-	-	-	-	(584)	(584)
Balance at 1 January 2021		29,352	112,691	81,711	3,349	142,739	78,000	176,141	623,983
Changes in equity during the year									
Net profit		-	-	-	-	-	-	50,309	50,309
Other comprehensive income	V.29	-	-	-	(500)	-	-	-	(500)
Increase in capital									
- Conversion of convertible bonds into equity	V.28	-	-	1	-	-	-	-	1
Profit appropriation									
- Appropriation to surplus reserves	V.30	-	-	-	-	16,553	-	(16,553)	-
- Appropriation to general risk reserves	V.31	-	-	-	-	-	11,000	(11,000)	-
- Cash dividends to paid to ordinary shareholders	V.32	-	-	-	-	-	-	(14,089)	(14,089)
- Cash dividends to paid to preference shareholders	V.32	-	-	-	-	-	-	(1,559)	(1,559)
- Interests payment of perpetual bond	V.32	-	-	-	-	-	-	(3,794)	(3,794)
Balance at 31 December 2021		29,352	112,691	81,712	2,849	159,292	89,000	179,455	654,351

The notes on pages 14 to 156 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Statement of changes in owners' equity (continued)
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Note	Share Capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total
Balance at 1 January 2020		29,352	62,698	81,710	6,670	125,805	74,900	162,275	543,410
Changes in equity during the year									
Net profit		-	-	-	-	-	-	55,176	55,176
Other comprehensive income	V.29	-	-	-	(3,321)	-	-	-	(3,321)
Increase in capital									
- Capital bonds with unfixed terms	V.27	-	49,993	-	-	-	-	-	49,993
- Conversion of convertible bonds into equity	V.28	-	-	1	-	-	-	-	1
Profit appropriation									
- Appropriation to surplus reserves	V.30	-	-	-	-	16,934	-	(16,934)	-
- Appropriation to general risk reserves	V.31	-	-	-	-	-	3,100	(3,100)	-
- Cash dividends to paid to ordinary shareholders	V.32	-	-	-	-	-	-	(17,611)	(17,611)
- Cash dividends to paid to preference shareholders	V.32	-	-	-	-	-	-	(1,662)	(1,662)
- Interests payment of perpetual bond	V.32	-	-	-	-	-	-	(1,419)	(1,419)
Balance at 31 December 2020		29,352	112,691	81,711	3,349	142,739	78,000	176,725	624,567

The notes on pages 14 to 156 form part of these financial statements.

I GENERAL INFORMATION

Shanghai Pudong Development Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in Shanghai, the People’s Republic of China (“the PRC”) on 28 August 1992 in accordance with the approval from the People’s Bank of China (“the PBOC” or “Central Bank”) (Yin Fu [1992] No.350). The Address of the head office is 12 First East Zhongshan Road, Shanghai. The Bank obtained its business licence from Shanghai Municipal Administration of Industry and Commerce on 19 October 1992 and commenced its business on 9 January 1993. On 10 November 1999, the Bank’s share capital denominated in RMB were listed and traded on the Shanghai Stock Exchange.

The unified social credit code of the Bank is 9131000013221158XC, and the financial service certificate No. of the Bank is B0015H131000001.

The Bank and its subsidiaries (collectively referred to as “the Group”) are mainly engaged in financial businesses. The scope of business mainly includes commercial banking services, financial leasing businesses and trust services approved by the PBOC and the China Banking and Insurance Regulatory Commission (the “CBIRC”), investment banking and fund management business defined by relevant licenses issued by Securities & Futures Commission of Hong Kong. The Bank’s principal regulator is the CBIRC. The Bank’s overseas branches and subsidiaries are subject to the supervision by local regulators.

The major subsidiaries are consolidated in the Group’s financial statements are disclosure in Note VI.

II BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared on the going concern basis.

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance. These financial statements present truly and completely the consolidated financial position and financial position of the Bank as at 31 December 2021, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Bank for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1 Accounting period

The accounting period is from 1 January to 31 December.

2 Functional Currency

The functional currency of the Group's operations in Mainland China is Renminbi (RMB). Items included in the financial statements of each of the Group's operations oversea are measured using the currency of the primary economic environment in which the entity operates. The Group translates the financial statements of overseas subsidiaries from their respective functional currencies into the Group's functional currency (see Note III.5).

3 Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, when the acquirer determines whether acquired set of assets constitute a business, it may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business. When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition-date fair values. It is not required to apply the accounting of business combination described as below.

<u>Business combinations involving entities under common control</u>

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.20). If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition (see Note III.14(2)(b)); Any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods is transferred to retained earnings and surplus reserve at the date of acquisition.

4 Consolidated financial statements

General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries (including a structured entity). Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

A structured entity is an entity that has been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the investee, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual or relative arrangements.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

<u>Subsidiaries acquired through a business combination</u>

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

<u>Disposal of subsidiaries</u>

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained.

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

<u>Changes in non-controlling interests</u>

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

5 Foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or rates that approximate the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. For monetary items denominated in foreign currency and classified as financial assets measured at fair value and whose changes are included in other comprehensive income, the foreign currency translation difference is decomposed into the translation difference caused by the change of amortized cost and the translation difference caused by the change of other book amounts of these items. The translation difference arising from the change of amortized cost is included in the current profit and loss, and the translation difference arising from the change of other carrying amount is included in other comprehensive income. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, construction or production of qualifying assets.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

6 Criteria for determining cash and cash equivalents

Cash and cash equivalents refer to cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

7 Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

  These financial assets are subsequently measured at fair value. Net gains and losses (including any interest or dividend income) are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

  These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI

  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments at FVOCI

  These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

- Financial liabilities at FVTPL

  A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

  Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless:

  - The financial liability is part of a hedging relationship;
  - The financial liability is a financial liability designated at fair value through profit or loss, and changes in fair value arising from changes in the Bank's credit risks are included in other comprehensive income.

- Other financial liabilities

  Other financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities, financial guarantee contracts and loan commitments arising from transfers of financial assets that do not qualify for the derecognition conditions or continue to be involved in the transferred financial assets

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;

- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or;
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial assets have been transferred. If the group neither transfers nor retains almost all the risks and rewards of the ownership of the financial assets, and retains the control over the financial assets, the relevant financial assets shall be recognized according to the degree of continuous involvement in the transferred financial assets, and the corresponding liabilities shall be recognized.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment

The Group recognises loss allowances for expected credit loss (“ECL”) on:

- Financial assets measured at amortised cost;
- Contract assets;
- Debt investments measured at FVOCI;
- Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL;
- Lease receivables.

Financial assets measured at fair value, including debt investments or equity securities measured at FVTPL, equity securities designated as at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses for financial instruments with a risk of default. Credit losses are measured as the present value of all cash shortfalls which is the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

The group's method of measuring the ECLs of financial instruments reflects the following elements: (I) the unbiased probability weighted average amount determined by evaluating a series of possible results; (II) the time value of money; (III) reasonable and reliable information about past events, current situation and prediction of future economic conditions that can be obtained without unnecessary additional costs or efforts on the balance sheet date.

The maximum period considered when estimating ECL is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

Refer to Note XII.1(3) for more detailed explanations of measuring ECL.

Presentation of allowance for ECL

ECL are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt investments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income. For loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, the Group recognizes loss reserves in estimated liabilities (Refer to Note V 24).

Write-off

The book value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Modification of financial contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether or not the modified or new contractual terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a ‘new’ asset under the revised terms.

If the modified contract terms do not change substantially, but lead to changes in the contract cash flow, when assessing whether the credit risk of relevant financial instruments has increased significantly, the group shall recalculate the book balance of the financial assets and record the relevant gains or losses into the current profits and losses. The recalculated book balance of the financial asset shall be determined according to the present value of the modified or renegotiated contract cash flow discounted at the original effective interest rate of the financial asset (or the purchased or originated financial asset with credit impairment shall be discounted at the effective interest rate adjusted by credit). For all costs or expenses incurred in modifying or renegotiating the contract, the group adjusts the book value of the modified financial asset and amortizes it within the remaining period of the modified financial asset. When assessing whether the credit risk of relevant financial instruments has increased significantly, the group compares the risk of default on the balance sheet date based on the changed contract terms with the risk of default on the initial recognition based on the original contract terms.

(8) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders’ equity. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from shareholders’ equity.

When the Bank repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders’ equity in the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

9 Financial guarantee contracts and loan commitments

<u>Financial guarantee contracts</u>

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

The financial guarantee contract shall be initially recognized at fair value on the date of providing the guarantee. After initial recognition, the relevant income of the financial guarantee contract shall be amortized and included in the current profit and loss in accordance with the accounting policies described in Note III. 26. Financial guarantee liabilities are subsequently measured according to the higher of the amount of loss reserves determined according to the impairment principle of financial instruments (Refer to Note III, 8(6)) and the balance of its initially recognized amount after deducting the accumulated amortization of the income related to the financial guarantee contract.

Loan commitments

Loan commitment refers to the definite commitment to provide credit according to the pre-defined terms and conditions.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

The Group's expected credit losses of financial guarantees and loan commitments are presented as “provisions”.

10 Derivatives and hedge accounting

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments with positive fair value are recognized as an asset, and those with negative fair value are recognized as a liability.

If the main contract included in the hybrid contract is an asset within the scope of financial instrument standards, the embedded derivative will no longer be separated from the main contract of financial assets, but the relevant provisions on the classification of financial assets will be applied to the hybrid financial instruments as a whole. If the main contract included in the hybrid contract is not an asset within the scope of the financial instrument standard, when some embedded derivative financial instruments are not closely related to the economic characteristics and risks of their main contract, the separate instrument with the same terms as the embedded derivative meets the definition of derivative financial instrument, and the hybrid instrument is not measured at fair value and its changes are included in the current profit and loss, Then the embedded derivative financial instrument shall be separated from the hybrid contract and treated as an independent derivative financial instrument. These embedded derivative financial instruments are measured at fair value, and the changes in fair value are included in the current profit and loss.

If the profits and losses derived from the changes in the fair value of derivative financial instruments do not meet the requirements of hedge accounting, they shall be directly included in the current profits and losses.

Hedge accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. The Group's hedged items include fixed-rate borrowings that expose the Group to the risk of changes in fair value, floating rate borrowings that expose the Group to the risk of variability in cash flows, a firm commitment that is settled with a fixed amount of foreign currency and that exposes the Group to foreign currency risk.

A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item. For a hedge of foreign currency risk, the foreign currency risk component of a non-derivative financial asset or non-derivative financial liability may also be designated as a hedging instrument provided that it is not an investment in an equity instrument for which an entity has elected to present changes in the fair value in other comprehensive income.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

When a hedging relationship no longer meets the hedge effectiveness requirements due to the hedge ratio, but the risk management objective of the designated hedging relationship remains unchanged, the Group rebalances the hedging relationship. Rebalancing refers to the adjustments made to the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship for the purpose of maintaining a hedge ratio that complies with the hedge effectiveness requirements.
The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.
- The hedging instrument expires or is sold, terminated or exercised.
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.
- The hedging relationship no longer meets other criteria for applying hedge accounting.

(1) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income as a cash flow hedge reserve. The amount of the cash flow hedge reserve is adjusted to the lower of the following (in absolute amounts):

- the cumulative gain or loss on the hedging instrument from inception of the hedge;

- the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The change in the amount of the cash flow hedge reserve is recognised in other comprehensive income in each period.

The portion of the gain or loss on the hedging instrument that is determined to be ineffectiveness is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it in the initial cost or other carrying amount of the asset or liability.

For cash flow hedges other than those covered above, that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When the Group discontinues hedge accounting for a cash flow hedge, the amount of the accumulated cash flow hedge reserve recognised in other comprehensive income is accounted for as follows:

- If the hedged future cash flows are still expected to occur, that amount will remain in the cash flow hedge reserve, and be accounted for in accordance with the above policy.

- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(2) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

The gain or loss from remeasuring the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins.

(3) Hedges of a net investment in a foreign operation

A hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When disposing a foreign operation, in whole or in part, the aforesaid gain or loss on the hedging instrument will be transferred from equity to profit or loss as a reclassification adjustment. The portion of the gain or loss on the hedging instrument that is determined to be ineffective is recognised in profit or loss.

11 Convertible instruments

<u>Convertible instruments containing an equity component</u>

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

<u>Other convertible instruments not containing an equity component</u>

For other convertible instruments issued by the Group which do not contain an equity component, at initial recognition, the derivative component is measured at fair value, and any excess of proceeds over the derivative component is recognised as the liability component.

The derivative component is subsequently measured at fair value, and gains or losses from the changes in the fair value are recognised in profit or loss. The liability component is subsequently carried at amortised cost using the effective interest method.

On conversion, the carrying amounts of the derivative and liability components are transferred to equity. If the instrument is redeemed, any difference between the redemption amount paid and the carrying amounts of both components is recognised in profit or loss.

12 Preference shares and capital bonds with unfixed terms

At initial recognition, the Group classifies the preference shares, Perpetual bondissued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares and Perpetual bondissued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and Perpetual bondissued not containing an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and Perpetual bondissued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and Perpetual bondare redeemed according to the contractual terms, the redemption price is charged to equity.

13 Financial assets purchased under resale agreements and Financial assets sold under repurchase agreements

The financial assets purchased under resale agreements refers to the funds raised by the group to buy financial assets first and then resell them at a fixed price according to the resale agreement. The financial assets sold under repurchase agreements refer to the funds incorporated into the group's financial assets sold first according to the repurchase agreement and then repurchased at a fixed price.

The financial assets purchased under resale agreements and financial assets sold under repurchase agreements shall be recorded according to the actual payment or receipt at the time of business and reflected in the balance sheet. The purchased target assets purchased for resale are not recognized and recorded off balance sheet; The underlying assets sold and repurchased are still reflected in the balance sheet.

The bid ask price difference of buy for resale and sell for repurchase business is amortized by the effective interest method during the relevant transaction period and recognized as interest income and interest expense respectively.

14 Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current year.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses. For the impairment of the investments in subsidiaries, refer to Note III.21.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.4.

(b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.14(3)) and rights to the net assets of the arrangement.An associate is an entity over which the Group has significant influence (see Note III.14(3)).An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment of the investments in joint ventures and associates, refer to Note III.21.

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

15 Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in supply of services for rental or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.16.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life unless the fixed assets meet the conditions for holding for sale.The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	Estimate useful life	Residual value rate	Depreciation rate
Plant and buildings	30 years	3 - 5%	3.17 - 3.23%
Motor vehicles	5 years	3 - 5%	19.00 - 19.40%
Electronic computers and other equipments	3 – 5 years	3 - 5%	19.00 - 32.33%
Plane and ship equipments	20 years	5%	4.75%

Useful lives,estimated residual values and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of the fixed assets, refer to Note III.21.

(4) Disposal of fixed assets

When fixed assets meet one of the following conditions, the carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

16 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs , and any other costs directly attributable to bringing the asset to working condition for its intended use. A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.21).

17 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.21). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

Land use right is amortized since the month of acquisition using straight-line method within its statutory useful life. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

- Software is amortized since month of acquisition using straight-line method over its beneficial life.

- Customer contract relationship is amortized on the straight-line basis over the maximum beneficial life upon the acquisition date.

- Brand and franchise right are intangible assets with no expected useful lives, which are not subject to amortization.

The Group reviews the useful life and amortization method of a finite useful life intangible assets at the end of each year and adjusts it if necessary.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

18 Long-term deferred expenses

Long-term deferred expenses include the expenditure for improvements to leasing assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

19 Repossessed assets

Repossessed assets refer to the physical assets or property rights of the group that are compensated to the debtor, guarantor or a third party by exercising creditor's rights or security interests according to law.

For the transferred financial asset of repossessed assets, the group initially measures them at their fair value, and classifies and subsequently measures them in accordance with the accounting policies described in Note III. 8(2).

For the transferred non-financial asset debt paying assets, the group makes initial measurement according to the fair value of the abandoned creditor's rights and other costs such as taxes directly attributable to the assets, and makes subsequent measurement according to the lower of the book value of the debt paying assets and the recoverable amount. Refer to Note III. 21 for the impairment test method and the impairment provision method.

20 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control. The Group's goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.21).

21 Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- long-term equity investments
- goodwill
- long-term deferred expenses,
- non-financial-asset-linked repossessed assets, etc

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually and the recoverable amounts of goodwill and intangible assets with indefinite useful lives at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows (see Note.III.23).

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

22 Provisions and contingent liabilities

Contingent liabilities refer to the potential obligations formed by past transactions or events, and their existence must be confirmed by the occurrence or non occurrence of future uncertain events; Or the current obligation formed by past transactions or events, the performance of the obligation is not likely to lead to the outflow of economic benefits from the group or the amount affected by the obligation cannot be measured reliably. The Group does not recognize these obligations and only discloses contingent liabilities in Note IX, commitments and contingencies to the financial statements.

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

23 Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

24 Dividend distribution

After the reporting date, the dividends or profits to be distributed in the profit distribution plan which has been examined and approved are not really considered as liabilities on the balance sheet date and shall be disclosed separately in the notes.

25 Fiduciary activities

The Group acts as the manager, trustee or agent of customers in the entrusted business. The balance sheet of the group does not include the assets held by the Group due to entrusted business and the commitment to return such assets to customers. The risks and benefits of such assets are borne by customers.

The Group signed an entrusted loan agreement with the customer, and the customer provided funds to the group (hereinafter referred to as "entrusted loan funds"), and the Group issued loans to third parties (hereinafter referred to as "entrusted loans") according to the customer's instructions. As the Group does not bear the risks and rewards of entrusted loans and related entrusted loan funds, entrusted loans and entrusted loan funds are recorded as off balance sheet items according to their principal, and no impairment provision is made for these entrusted loans.

26 Revenue recognition

Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

(i) For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost;

(ii) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income is recognised when its performance obligation in contracts is satisfied. The income is recognized at the time point or period when the customer obtains the control right of relevant services.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as theGroup performs;
- The customer controls the service provided by the Group in the course of performance;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

Dividend income

Dividend income from equity instruments is recognized in the current profit and loss when the group's right to receive dividends is established.

27 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group. A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Or included in other income or non-operating income directly.

28 Employee benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accured at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Post-employment benefits

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group and its employees are required to contribute a certain percentage of the employees’ previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(4) Other long-term employee benefits

According to the actual payment of employees' salaries or services during the accounting period, the amount accrued or paid by employees shall be recognized as the current profit and loss.

29 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

30 Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly speicied in a contrat and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the ecomonic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease componets, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(1) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.21.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note III.8. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

31 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

32 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

33 Significant accounting and judgements and estimates

In preparing the financial statements, the management of the Group is required to apply estimates and assumptions which affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses. The reality may differ from these estimates. The Group's management continuously evaluates the judgment of the key assumptions and uncertainties involved in the estimates, and the impact of changes in accounting estimates is recognized in the current and future periods of the changes.

In the process of implementing the Group's accounting policies, the management will make judgments and assumptions on the impact of future uncertainties on the financial statements. On the balance sheet date, the management makes the following judgments and main assumptions on major future uncertainties, which may lead to significant adjustments to the book value of assets and liabilities in the next accounting period.

Measurement of ECL

For debt instrument investments measured at amortized cost and at fair value with changes included in other comprehensive income, as well as loan commitments and financial guarantee contracts, complex models and a large number of assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behavior (for example, the possibility of customer default and corresponding losses). Note XII. 1 specify the parameters, assumptions and estimation techniques used in the measurement of expected credit loss.

Goodwill impairment

The Group tests whether goodwill is impaired at least annually, and impairment test is also required when there are signs that goodwill may be impaired. During the impairment test, it is necessary to allocate goodwill to the corresponding asset group or combination of asset groups, predict the future cash flow generated by the asset group or combination of asset groups, and select an appropriate discount rate to determine the present value of future cash flow.

Income tax

The Group needs to make judgments on the future tax treatment of certain transactions to confirm income tax. In accordance with relevant tax laws and regulations, the group carefully judges the income tax impact corresponding to the transaction and accrues income tax accordingly. Deferred income tax assets can only be recognized when it is possible to have future taxable profits and can be used to offset relevant temporary differences. In this regard, it is necessary to make a significant judgment on the tax treatment of some transactions and make a significant estimation on whether there are enough future taxable profits to offset the possibility of deferred income tax assets.

Fair value of financial instruments

For financial instruments that lack an active market, the Group uses valuation methods to determine their fair value. The valuation method includes referring to the transaction price determined during the fair transaction between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or estimating by using discounted cash flow analysis and option pricing model. The valuation method makes maximum use of observable market information. However, when observable market information is unavailable, the management will estimate the significant unobservable information included in the valuation method.

Judgment on whether the structured entities has control

The Group manages or invests in multiple financial products, trust plans, fund investments, asset management plans and asset-backed securities. When judging whether to control such structured entities, the Group determines whether it exercises its decision-making power as the main responsible person or agent, and evaluates its overall economic benefits to such structured entities (including the income generated by direct holding and expected management fees) and the scope of decision-making power to such structured entities. When the other party has the decision-making power, it is also necessary to determine whether the other party exercises the decision-making power as its agent.

For financial products, trust plans, fund investments and asset-backed securities in which the group has interests or is the initiator but is not included in the scope of the consolidated financial statements, see Note VII.

34 Changes in significant accounting policies

In 2021, the Group has adopted the following newly revised accounting standards and implementation guidance issued by the MOF:

- CAS No.21 - Lease (Revised) (Caikuai [2018] No.35) ("the new lease standard")
- CAS No.14 - Revenue (Revised) ("the new revenue standard")

(1) New leases standard

The new leases standard has revised CAS No.21 – Leases issued by the MOF in 2006 ("the previous leases standard"). The Bank will implement the new lease standards from January 1, 2021, and adjust the relevant content of accounting policies.

The new leases standard refines the definition of a lease. The Bank assesses whether a contract is or contains a lease in accordance with the definition in the new leases standard. For contracts which existed before the date of initial application, the Bank has elected not to reassess whether a contract is or contains a lease at the date of initial application.

- Effect of the application of the new leases standard since 1 January 2021 on financial statements

  When measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate at 1 January 2021. The weighted-average rate applied by the Bank is 3.92%.

  The reconciliation between the unpaid minimum lease payments for significant operating leases disclosed on 31 December 2020 and the lease liabilities as of 1 January 2021:

	The Group
Unpaid minimum lease payments for major operating leases in the financial statements as of December 31, 2020 (including value-added tax)	9,769
Less: VAT	(414)
Unpaid minimum lease payments for major operating leases in the financial statements as of December 31, 2020 (excluding value-added tax)	9,355
Present value discounted at the Group's incremental borrowing rate on January 1, 2021	8,564
Less: Short-term leases and low-value asset leases	(20)
Lease liabilities under the new lease standards on January 1, 2021	8,544

The impact of the implementation of the new lease standards on the items on the balance sheet as at 1 January 2021 is summarized as follows:

	The Group		
	31 December 2020	Adjustment amount	1 January 2021
Other assets	92,918	(708)	92,210
Right-of-use assets	-	8,446	8,446
Other liabilities	44,390	(4)	44,386
Lease liabilities	-	8,544	8,544
Deferred income tax assets	52,157	201	52,358
Retained earnings	188,038	(597)	187,441
Minority interests	7,620	(4)	7,616

(2) Bulletin No.14

Bulletin No.14 takes effect on 26 January 2021 (implementation date).

Bulletin No.14 introduces the accounting and disclosure requirements for the modification of financial instruments and lease liabilities resulting from the benchmark interest rate reform. Transactions related to the benchmark interest rate reform that occurred before 31 December 2020 and during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated. The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Group.

IV TAXATION

The Bank and its domestic subsidiaries' main applicable taxes and tax rates are as follows:

Value-added tax (VAT)	Output VAT is calculated on 6%~13% of the product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period. Part of VAT is calculated on 3% or 5% of the product sales and taxable services revenue.
City maintenance and construction tax	1%-7% of VAT paid
Educational surcharge	3%-5% of VAT paid
Income tax	25% of taxable income. The domestic subsidiarie pay income tax according to local regulations.

Overseas subsidiaries pay income tax according to local regulations.

V Notes to the main items of the financial statements

1 Cash and deposits with central bank

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash		5,470	5,356	5,338	5,214
Statutory reserves with central bank	(1)	339,973	339,269	338,268	337,532
Surplus reserves with central bank	(2)	73,454	143,283	70,405	140,336
Fiscal deposits with central bank		1,939	1,011	1,939	1,011
Accrued interest		160	169	160	169
Total		420,996	489,088	416,110	484,262

(1) The Group is required to place statutory reserves with the PBOC and overseas central banks, including RMB and foreign currency deposit reserves and foreign exchange risk reserves for forward foreign exchange sales businesses, which are not allowed to be used in the Group’s daily operations.

(2) The surplus reserves refer to money deposited by the Group with the PBOC and overseas central banks for the purpose of funds liquidation.

2 Deposits with banks and other financial institutions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deposits with domestic banks	71,746	77,684	62,787	69,529
Deposits with overseas banks	53,693	71,458	52,517	71,289
Deposits with domestic non-bank financial institutions	255	2,460	68	2,457
Accrued interest	326	460	246	413
Less: impairment allowance	(184)	(266)	(155)	(241)
Total	125,836	151,796	115,463	143,447

3 Placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Placements with domestic banks	24,726	12,558	24,726	12,558
Placements with overseas banks	70,276	45,393	70,276	45,393
Placements with domestic non-bank financial institutions	201,157	159,967	201,637	161,132
Placements with overseas non-bank financial institutions	8,188	14,406	9,718	18,056
Accrued interest	3,736	1,953	3,739	1,965
Less: impairment allowance	(138)	(146)	(138)	(145)
Total	307,945	234,131	309,958	238,959

4 Derivative financial instruments

The Group

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	4,099,578	17,147	(15,789)
Exchange rate derivatives	1,578,860	13,844	(12,669)
Precious metal derivatives	195,711	2,656	(1,014)
Commodity and other derivatives	13,320	126	(56)
Total		33,773	(29,528)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	9,251	42	(126)
- Currency swap contracts	361	-	(8)
Cash flow hedges			
- Interest rate swap contracts	1,649	17	-
- Currency swap contracts	3,554	5	(25)
Total		64	(159)

	31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,399,464	18,260	(18,103)
Exchange rate derivatives	1,973,523	39,470	(39,109)
Precious metal derivatives	210,325	5,122	(3,632)
Commodity and other derivatives	14,717	737	(302)
Total		63,589	(61,146)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	24,283	56	(527)
- Currency swap contracts	693	-	(5)
Cash flow hedges			
- Interest rate swap contracts	663	-	(9)
- Currency swap contracts	389	-	(47)
Total		56	(588)

The Bank

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	4,097,929	17,130	(15,789)
Exchange rate derivatives	1,578,023	13,844	(12,648)
Precious metal derivatives	195,711	2,656	(1,014)
Commodity and other derivatives	13,320	126	(56)
Total		33,756	(29,507)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	9,251	42	(126)
- Currency swap contracts	361	-	(8)
Cash flow hedges			
- Currency swap contracts	2,717	5	(4)
Total		47	(138)

	31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,398,801	18,260	(18,094)
Exchange rate derivatives	1,973,523	39,470	(39,109)
Precious metal derivatives	210,325	5,122	(3,632)
Commodity and other derivatives	14,717	737	(302)
Total		63,589	(61,137)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	24,283	56	(527)
- Currency swap contracts	693	-	(5)
Cash flow hedges			
- Currency swap contracts	389	-	(47)
Total		56	(579)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group’s exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

5 Financial assets purchased under resale agreements

The Group and the Bank

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Bonds	117	36,520	101	36,520
Accrued interest	-	7	-	7
Less: impairment allowance	-	(1)	-	(1)
Total	117	36,526	101	36,526

6 Loans and advances to customers

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Loans and advances to customers measured at:				
- amortized cost (a)	4,255,699	4,093,185	4,153,741	3,998,067
- FVOCI (b)	484,192	422,508	484,192	422,508
- FVTPL (c)	46,149	18,280	46,149	18,280
Subtotal	4,786,040	4,533,973	4,684,082	4,438,855
Accrued interest	15,257	15,576	14,664	14,851
Impairment allowances				
- Loans and advances to customers mearsured at amortized cost	(110,087)	(119,116)	(104,256)	(114,168)
- Accrued interest of loans and advances to customers measured at amortized cost	(256)	(205)	(256)	(205)
Subtotal	(110,343)	(119,321)	(104,512)	(114,373)
Net loans and advances to customers	4,690,954	4,430,228	4,594,234	4,339,333

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
(a) Loans and advances to customers measured at amortized cost				
Corporates loans				
Commercial loans	2,261,151	2,248,168	2,175,189	2,168,559
Trade finance	102,155	49,048	102,155	49,048
Discounted bills	1,773	3,691	1,768	3,666
Retail loans				
Mortgage loans	905,974	849,193	898,953	841,967
Credit card and overdraft	416,142	372,117	416,142	372,117
Business loans	392,104	325,782	387,147	321,078
Consumer loans and others	176,400	245,186	172,387	241,632
Subtotal	4,255,699	4,093,185	4,153,741	3,998,067
(b) Loans and advances to customers measured at FVOCI				
Corporates loans				
Trade finance	24,868	5,627	24,868	5,627
Discounted bills	459,324	416,881	459,324	416,881
Subtotal	484,192	422,508	484,192	422,508
(c) Loans and advances to customers measured at FVTPL				
Corporates loans				
Trade finance	19,554	2,944	19,554	2,944
Discounted bills	26,595	15,336	26,595	15,336
Subtotal	46,149	18,280	46,149	18,280
Total loans andadvances to customers	4,786,040	4,533,973	4,684,082	4,438,855

6.1 Loans and advances to customers analysed by industry

The Group

	31 December 2021		31 December 2020	
	Amount	Rate (%)	Amount	Rate (%)
Corporate loans				
Manufacturing	433,936	9.07	392,385	8.65
Lease and commercial service	421,641	8.81	361,907	7.98
Real estate	331,015	6.92	346,486	7.64
Transportation, warehouse and postal services	185,778	3.88	157,478	3.47
Water conservancy, environment and public facilities management	180,796	3.78	173,871	3.84
Wholesale and retail	177,773	3.71	207,798	4.58
Construction	165,645	3.46	160,798	3.55
Electricity, heat, gas, water production and supply	146,184	3.05	116,544	2.57
Financial services	108,267	2.26	104,093	2.30
Mining	78,343	1.64	95,167	2.10
Information transmission, software and IT services	63,203	1.32	58,820	1.30
Research and technology services	37,850	0.79	30,262	0.67
Culture, sports and entertainment	17,770	0.37	20,221	0.45
Agriculture, forestry, farming and fishery	17,243	0.36	20,172	0.44
Healthcare and social welfare	15,819	0.33	19,417	0.43
Education	14,668	0.31	15,480	0.34
Hotels and catering services	7,707	0.16	8,285	0.18
Residential services, repairs and other services	3,217	0.07	2,357	0.05
Public administration, social assurance and social organization	710	0.01	2,223	0.05
Others	163	0.01	12,023	0.27
Subtotal	2,407,728	50.31	2,305,787	50.86
Discounted bills	487,692	10.19	435,908	9.61
Retail loans	1,890,620	39.50	1,792,278	39.53
Total	4,786,040	100.00	4,533,973	100.00

The Bank

	31 December 2021		31 December 2020	
	Amount	(%)	Amount	(%)
Corporate loans				
Manufacturing	426,249	9.10	383,212	8.63
Lease and commercial service	420,635	8.98	362,067	8.16
Real estate	330,994	7.07	346,461	7.81
Wholesale and retail	175,868	3.75	180,701	4.07
Water conservancy, environment and public facilities management	175,158	3.74	164,966	3.72
Construction	161,763	3.45	158,654	3.57
Transportation, warehouse and postal services	154,032	3.29	157,326	3.54
Electricity, heat, gas, water production and supply	120,657	2.58	95,037	2.14
Financial services	110,242	2.35	104,009	2.34
Mining	73,050	1.56	90,633	2.04
Information transmission, software and IT services	62,391	1.33	57,581	1.30
Research and technology services	37,754	0.81	30,099	0.68
Culture, sports and entertainment	17,107	0.37	19,475	0.44
Healthcare and social welfare	15,636	0.33	19,111	0.43
Education	14,522	0.31	15,332	0.35
Agriculture, forestry, farming and fishery	14,162	0.30	16,971	0.38
Hotels and catering services	7,527	0.16	8,085	0.18
Residential services, repairs and other services	3,146	0.07	2,212	0.05
Public administration, social assurance and social organization	710	0.02	2,223	0.05
Others	163	0.01	12,023	0.27
Subtotal	2,321,766	49.58	2,226,178	50.15
Discounted bills	487,687	10.41	435,883	9.82
Retail loans	1,874,629	40.01	1,776,794	40.03
Total	4,684,082	100.00	4,438,855	100.00

6.2 Loans and advances to customers analysed by collateral type

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Unsecured loans	2,012,057	1,818,279	1,970,107	1,786,811
Guaranteed loans	779,176	776,427	743,976	740,152
Collateralized loans	1,740,296	1,668,955	1,724,164	1,652,088
Pledged loans	254,511	270,312	245,835	259,804
Total	4,786,040	4,533,973	4,684,082	4,438,855

6.3 Overdue loans and advances to customers

The Group

	31 December 2021				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	10,968	12,500	3,919	1,165	28,552
Guaranteed loans	7,967	15,248	7,302	1,592	32,109
Collateralized loans	10,478	11,770	9,667	1,710	33,625
Pledged oans	906	2,972	1,184	132	5,194
Total	30,319	42,490	22,072	4,599	99,480

	31 December 2020				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	8,899	13,728	4,953	857	28,437
Guaranteed loans	9,828	10,487	7,630	1,605	29,550
Collateralized loans	10,646	10,226	9,447	1,389	31,708
Pledged oans	1,544	3,233	2,325	97	7,199
Total	30,917	37,674	24,355	3,948	96,894

The Bank

	31 December 2021				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	10,836	12,209	3,346	967	27,358
Guaranteed loans	7,709	14,938	6,896	1,555	31,098
Collateralized loans	10,407	11,698	9,581	1,698	33,384
Pledged oans	901	2,970	1,073	132	5,076
Total	29,853	41,815	20,896	4,352	96,916

	31 December 2020				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	8,879	13,559	4,139	856	27,433
Guaranteed loans	9,484	10,061	7,517	1,552	28,614
Collateralized loans	10,475	10,142	9,385	1,382	31,384
Pledged oans	1,435	3,230	2,325	97	7,087
Total	30,273	36,992	23,366	3,887	94,518

The Group and the Bank classify the total loans with principal or interest overdue 1 day above (including 1 day) as overdue loans.

6.4 Movements of ECL allowance

(a) Movements of ECL allowance of loans and advances to customers at amortized cost

The Group

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021		31,044	22,831	65,241	119,116
Transfers during the year:					
- Transfer to stage 1		1,155	(1,026)	(129)	-
- Transfer to stage 2		(1,163)	2,506	(1,343)	-
- Transfer to stage 3		(1,078)	(10,558)	11,636	-
Net increase for the year	(1)	3,186	1,015	60,573	64,774
Written-offs and disposals during the year		-	-	(81,102)	(81,102)
Recovery of loans and advances written off in previous years		-	-	8,149	8,149
Others		(63)	(5)	(782)	(850)
Balance at 31 December 2021		33,081	14,763	62,243	110,087

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020		29,904	19,446	60,709	110,059
Transfers during the year:					
- Transfer to stage 1		1,850	(1,606)	(244)	-
- Transfer to stage 2		(1,300)	2,365	(1,065)	-
- Transfer to stage 3		(1,742)	(7,668)	9,410	-
Net increase for the year	(1)	2,344	10,294	62,065	74,703
Written-offs and disposals during the year		-	-	(70,044)	(70,044)
Recovery of loans and advances written off in previous years		-	-	5,648	5,648
Others		(12)	-	(1,238)	(1,250)
Balance at 31 December 2020		31,044	22,831	65,241	119,116

The Bank

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021		29,320	21,527	63,321	114,168
Transfers during the year:					
- Transfer to stage 1		1,149	(1,024)	(125)	-
- Transfer to stage 2		(1,106)	2,444	(1,338)	-
- Transfer to stage 3		(1,024)	(10,095)	11,119	-
Net increase for the year	(1)	2,336	1,262	60,078	63,676
Written-offs and disposals during the year		-	-	(80,917)	(80,917)
Recovery of loans and advances written off in previous years		-	-	8,124	8,124
Others		(16)	(2)	(777)	(795)
Balance at 31 December 2021		30,659	14,112	59,485	104,256

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020		28,530	18,998	58,629	106,157
Transfers during the year:					
- Transfer to stage 1		1,793	(1,593)	(200)	-
- Transfer to stage 2		(1,196)	2,245	(1,049)	-
- Transfer to stage 3		(1,678)	(7,624)	9,302	-
Net increase for the year	(1)	1,883	9,501	61,821	73,205
Written-offs and disposals during the year		-	-	(69,574)	(69,574)
Recovery of loans and advances written off in previous years		-	-	5,600	5,600
Others		(12)	-	(1,208)	(1,220)
Balance at 31 December 2020		29,320	21,527	63,321	114,168

(1) This item includes changes of PD, EAD, LGD due to routine updates to model parameters, and the impact of stage changes on the measurement of ECL.

(2) Financial instruments whose credit risks haven't significantly increased since the initial recognition are classified into stage 1, then they will be transferred into stage 2 if their credit risks have significantly increased since the initial recognition with no objective evidence for impairment, and will be further transferred into stage 3 where there is objective impairment evidence on the balance sheet date. Refer to Note XII 1(3) for ECL measurement.

(b) Movements of ECL allowance of loans and advances to customers measured at FVOCI

The Group and the Bank

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	529	4	218	751
Transfers during the year:				
- to stage 1	1	(1)	-	-
- to stage 2	(8)	8	-	-
- to stage 3	-	-	-	-
Net decrease for the year	(197)	(7)	(28)	(232)
Balance at 31 December 2021	325	4	190	519

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	288	8	136	432
Transfers during the year:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Net increase / (decrease) for the year	241	(4)	82	319
Balance at 31 December 2020	529	4	218	751

7 Financial investments

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Trading assets	(a)	526,034	549,149	487,998	514,468
Debt investments	(b)	1,306,188	1,169,777	1,304,324	1,167,536
Other debt investments	(c)	479,619	577,786	475,294	571,508
Other equity investments	(d)	7,082	5,835	7,082	5,835
Financial investments, net		2,318,923	2,302,547	2,274,698	2,259,347

(a) Trading assets

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Fund investments		398,733	428,552	375,268	407,181
Government bonds		34,146	11,096	34,146	11,095
Trust and asset management plans	(1)	18,958	20,294	13,630	13,351
Corporate bonds		16,216	42,040	14,989	41,705
Beneficiary certificates of securities companies		13,437	18,651	13,437	18,651
Bonds issued by financial institutions		12,236	10,412	10,581	9,158
Deposit certificates issued by other financial institutions		9,012	2,988	9,012	2,988
Equity investment		8,194	5,104	2,300	532
Assets backed securities (“ABS”)		6,519	562	6,409	463
Bonds issued by policy banks		1,789	3,407	1,789	3,407
Wealth management products managed by other banks		327	72	-	-
Other investment	(2)	6,467	5,971	6,437	5,937
Total		526,034	549,149	487,998	514,468

(1) Trust and asset management plans are managed and operated by the third-party trust plan trustee or asset manager, and are ultimately invested in bonds, ABS, equity investments with third-party repurchase arrangement, etc.

(2) Other investments mainly include the long-term employee benefits payable to Changjiang Pension Insurance Co., Ltd. for investment entrusted by the Group.

(b) Debt investments

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Government bonds	567,605	558,397	567,605	558,397
Trust and asset management plans				
- Loans	253,657	139,798	252,640	138,979
- ABS	195,477	180,867	195,227	180,233
- Bill assets	695	44,841	695	44,841
- Others	2,543	7,354	2,543	7,354
Bonds issued by policy banks	200,520	194,122	200,520	194,122
Bonds issued by financial institutions	73,240	24,158	73,240	24,158
Corporate bonds	12,475	6,883	12,475	6,752
Deposit certificates issued by other financial institutions	1,137	833	1,137	833
Beneficiary certificates of securities companies	850	8,130	850	8,130
ABS	138	300	138	300
Other debt instrument	100	-	-	-
Subtotal	1,308,437	1,165,683	1,307,070	1,164,099
Accrued interest	17,527	16,041	17,467	15,999
Impairment allowance				
- Principal of debt investments	(19,743)	(11,899)	(20,200)	(12,535)
- Accrued interest of debt investments	(33)	(48)	(13)	(27)
Subtotal of impairment allowance	(19,776)	(11,947)	(20,213)	(12,562)
Financial investments at amortized cost, net	1,306,188	1,169,777	1,304,324	1,167,536

(i) Movement for ECL allowance of debt investments:

The Group

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	1,469	174	10,256	11,899
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(22)	22	-	-
- to stage 3	(11)	(190)	201	-
Net increase for the year	597	634	10,702	11,933
Write-off and disposals during the year	-	-	(4,082)	(4,082)
Others	(1)	-	(6)	(7)
Balance at 31 December 2021	2,032	640	17,071	19,743

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	1,599	57	7,023	8,679
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(61)	61	-	-
- to stage 3	-	(27)	27	-
Net (decrease) / increase for the year	(69)	83	4,236	4,250
Recovery of debt investments written off in previous years	-	-	(1,030)	(1,030)
Balance at 31 December 2020	1,469	174	10,256	11,899

The Bank

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	1,459	155	10,921	12,535
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(22)	22	-	-
- to stage 3	(11)	(185)	196	-
Net increase for the year	606	648	10,494	11,748
Write-off and disposals during the year	-	-	(4,082)	(4,082)
Others	(1)	-	-	(1)
Balance at 31 December 2021	2,031	640	17,529	20,200

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	1,574	53	7,755	9,382
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(42)	42	-	-
- to stage 3	-	(23)	23	-
Net (decrease)/increase for the year	(73)	83	4,173	4,183
Recovery of loans and advances written off in previous years	-	-	(1,030)	(1,030)
Balance at 31 December 2020	1,459	155	10,921	12,535

(c) Other debt investments

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Government bonds	187,196	230,989	187,196	230,989
Bonds issued by policy banks	93,264	115,245	93,264	115,245
Bonds issued by financial	83,847	80,328	81,869	79,628
Corporate bonds	82,762	86,751	80,419	82,188
Deposit certificates issued by other financial institutions	11,726	3,833	11,726	3,833
Asset management plans	9,200	45,011	9,198	43,997
ABS	5,134	7,818	5,134	7,818
Subtotal	473,129	569,975	468,806	563,698
Accrued interest	6,490	7,811	6,488	7,810
Total	479,619	577,786	475,294	571,508

(i) Movements of ECL allowance of other debt investments:

The Group

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	537	101	1,177	1,815
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(43)	148	(105)	-
- to stage 3	-	(2)	2	-
Net decrease for the year	(143)	(21)	(349)	(513)
Write-off and disposals during the year	-	-	(64)	(64)
Others	(11)	(2)	(21)	(34)
Balance at 31 December 2021	340	224	640	1,204

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	367	83	747	1,197
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(2)	2	-	-
- to stage 3	(6)	(36)	42	-
Net increase for the year	185	52	413	650
Others	(7)	-	(25)	(32)
Balance at 31 December 2020	537	101	1,177	1,815

The Bank

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	419	56	598	1,073
Transfer for the year:				
- to stage 1	-	-	-	-
- to stage 2	(43)	43	-	-
- to stage 3	-	(2)	2	-
Net (decrease) / increase for the year	(50)	84	(311)	(277)
Write-off and disposals during the year	-	-	(64)	(64)
Others	(8)	(1)	(5)	(14)
Balance at 31 December 2021	318	180	220	718

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	292	41	414	747
Transfer for the year:				
- to stage 1	-	-	-	-
- to stage 2	(2)	2	-	-
- to stage 3	-	(36)	36	-
Net (decrease) / increase for the year	136	49	170	355
Others	(7)	-	(22)	(29)
Balance at 31 December 2020	419	56	598	1,073

(d) Other equity investments

The Group and the Bank

	31 December 2021	31 December 2020
Equity investments	6,254	5,018
Other equity investments	828	817
Total	7,082	5,835

8 Long-term equity investments

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Investments in joint ventures	VI.2	2,513	2,127	2,513	2,127
Investments in associate	VI.2	306	274	-	-
Investment in subsidiaries	VI.1	-	-	24,307	24,307
Total		2,819	2,401	26,820	26,434

The Group

	1 January 2021	**Increase / (decrease) in investments**	**Net income adjusted by equity method**	**OCI adjusted by equity method**	**Declared cash dividends**	**Other change**	**31 December 2021**
AXA SPDB Investment Managers Co., Ltd.	**1,384**	**-**	**186**	**-**	**(51)**	**-**	**1,519**
SPDB Silcon Valley Bank	**743**	**250**	**4**	**1**	**-**	**(4)**	**994**
Others	**274**	**(1)**	**33**		**-**	**-**	**306**
Total	**2,401**	**249**	**223**	**1**	**(51)**	**(4)**	**2,819**

	1 January 2020	Increase in investments	Net income adjusted by equity method	Declared cash dividends	Other change	31 December 2020
AXA SPDB Investment Managers Co., Ltd.	1,336	-	130	(82)	-	1,384
SPDB Silcon Valley Bank	505	250	-	-	(12)	743
Others	208	51	16	-	(1)	274
Total	2,049	301	146	(82)	(13)	2,401

9 Fixed assets

The Group

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Plane and ship equipments	Construction in progress	Total
Cost						
1 January 2020	13,715	447	8,306	17,279	3,973	43,720
Additions	472	33	1,468	1,186	1,197	4,356
Transferred from /(to) construction in progress	-	-	10	-	(162)	(152)
Disposals	(3)	(27)	(910)	-	-	(940)
31 December 2020	14,184	453	8,874	18,465	5,008	46,984
Additions	26	33	1,737	4,954	2,437	9,187
Transferred from/(to) construction in progress	-	-	19	-	(224)	(205)
Disposals	(71)	(37)	(821)	-	-	(929)
31 December 2021	14,139	449	9,809	23,419	7,221	55,037
Accumulated depreciation						
1 January 2020	(4,353)	(358)	(6,367)	(2,259)	-	(13,337)
Charge	(488)	(27)	(845)	(811)	-	(2,171)
Disposals	1	24	863	-	-	888
31 December 2020	(4,840)	(361)	(6,349)	(3,070)	-	(14,620)
Charge	(461)	(25)	(1,107)	(1,035)	-	(2,628)
Disposals	71	34	814	-	-	919
31 December 2021	(5,230)	(352)	(6,642)	(4,105)	-	(16,329)
Net book value						
31 December 2021	8,909	97	3,167	19,314	7,221	38,708
31 December 2020	9,344	92	2,525	15,395	5,008	32,364

As at 31 December 2021, the net book value of RMB 193.14 billion (31 December 2020: RMB 153.95 billion) of the flight and ship equipment were rent out under operating lease by the Group's subsidiary, Puyin Financial Leasing Co., Ltd..

The Bank

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Construction in progress	Total
Cost					
1 January 2020	13,108	413	8,031	3,970	25,522
Additions	472	29	1,436	944	2,881
Transferred from /(to) constructions in progress	-	-	10	(145)	(135)
Disposals	(3)	(20)	(892)	-	(915)
31 December 2020	13,577	422	8,585	4,769	27,353
Additions	20	31	1,683	2,035	3,769
Transferred from/(to) construction in progress	-	-	19	(218)	(199)
Disposals	(71)	(36)	(770)	-	(877)
31 December 2021	13,526	417	9,517	6,586	30,046
Accumulated					
1 January 2020	(4,180)	(329)	(6,161)	-	(10,670)
Charge	(459)	(25)	(813)	-	(1,297)
Disposals	1	18	845	-	864
31 December 2020	(4,638)	(336)	(6,129)	-	(11,103)
Charge	(430)	(23)	(1,052)	-	(1,505)
Disposals	71	34	765	-	870
31 December 2021	(4,997)	(325)	(6,416)	-	(11,738)
Net book value					
31 December 2021	8,529	92	3,101	6,586	18,308
31 December 2020	8,939	86	2,456	4,769	16,250

As at 31 December 2021, the land and buildings with original cost of RMB 677 million and net book value of RMB 517 million were in use by the Group and the Bank while the property right registration were still in progress.

As at 31 December 2020, the land and buildings with original cost of RMB 906 million and net book value of RMB 735 million were in use by the Group and the Bank while the property right registration were still in progress.

10 Lease

(1) Right-of-use assets

The Group

	Plant & buildings	Equipment & other	Total
Cost			
31 December 2020	-	-	-
Changes in accounting policies	16,461	178	16,639
1 January 2021	16,461	178	16,639
Additions	2,938	22	2,960
Disposals	(2,540)	(62)	(2,602)
31 December 2021	16,859	138	16,997
Accumulated amortisation			
31 December 2020	-	-	-
Changes in accounting policies	(8,096)	(97)	(8,193)
1 January 2021	(8,096)	(97)	(8,193)
Charge	(2,685)	(33)	(2,718)
Disposals	2,416	58	2,474
31 December 2021	(8,365)	(72)	(8,437)
Net book value			
31 December 2021	8,494	66	8,560

(2) Lease liabilities

As at 31 December 2021, the analysis by remaining maturity date of the Group is as follows:

	the Group
Within 3 months	793
3 months to 1 year	2,152
1 year to 5 years	5,576
More than 5 years	634
Total undiscounted lease liabilities	9,155
Book value of lease liabilities at year-end	8,451

(3) Short-term leases or leases of low-value assets

The group's short-term leases and low-value asset leases mainly include houses, buildings and other equipment. See note V. 38 for relevant lease expenses.

11 Intangible assets

The Group

	Land use rights	Software and others	Brands and Franchising	Total
Cost				
1 January 2020	6,800	5,662	2,236	14,698
Additions	-	1,425	-	1,425
Disposals	-	(1)	-	(1)
31 December 2020	6,800	7,086	2,236	16,122
Additions	-	1,570	-	1,570
Disposals	-	(30)	-	(30)
31 December 2021	6,800	8,626	2,236	17,662
Accumulated amortisation				
1 January 2020	(454)	(3,887)	-	(4,341)
Charge	(173)	(1,086)	-	(1,259)
Disposals	-	1	-	1
31 December 2020	(627)	(4,972)	-	(5,599)
Charge	(173)	(1,382)	-	(1,555)
Disposals	-	30	-	30
31 December 2021	(800)	(6,324)	-	(7,124)
Net book value				
31 December 2021	6,000	2,302	2,236	10,538
31 December 2020	6,173	2,114	2,236	10,523

The Bank

	Land use rights	Software and others	Total
Cost			
1 January 2020	6,797	4,852	11,649
Additions	-	1,400	1,400
Disposals	-	(1)	(1)
31 December 2020	6,797	6,251	13,048
Additions	-	1,541	1,541
Disposals	-	(1)	(1)
31 December 2021	6,797	7,791	14,588
Accumulated amortisation			
1 January 2020	(454)	(3,128)	(3,582)
Charge	(173)	(1,060)	(1,233)
Disposals	-	1	1
31 December 2020	(627)	(4,187)	(4,814)
Charge	(173)	(1,363)	(1,536)
Disposals	-	1	1
31 December 2021	(800)	(5,549)	(6,349)
Net book value			
31 December 2021	5,997	2,242	8,239
31 December 2020	6,170	2,064	8,234

12 Goodwill

	31 December 2021	31 December 2020
Goodwill		
- Shanghai International Trust Co., Ltd. (“Shanghai International Trust”)	6,981	6,981
Less:impairment allowances	-	-
Total	6,981	6,981

The goodwill is recognized as a result of the Bank’s issuance of share capital to acquire 97.33% equity of Shanghai International Trust in March 2016.

The goodwill allocated to the CGU or CGUs on transcation date according to operating segments are summarised as follows:

	31 December 2020 and 2021
Shanghai International Trust	4,739
Subsidiaries of Shanghai International Trust	2,242
Total	6,981

In the case of a goodwill impairment test, the Group compares the book value of CGU or CGUs (including goodwill) with its recoverable amount. If the recoverable amount is less than the book value, the related difference is recognised in profit or loss. The Group's goodwill allocation has not changed during the year.

On 31 December 2021, the recoverable amounts of the asset group or a set of asset groups of individual subsidiaries of Shanghai International Trust were determined by reference to its fair value less cost to sell. The relevant fair values were determined on the basis of management’s resolution of those charged with governance and the relevant signed documents.

Except the description above, the Group calculates the recoverable amount of CGU and CGUs using cash flow models based on the management’s approved five year financial forecasts. The Group determines the growth rate based on historical experience and market development forecasts, and uses a pre-tax rate that reflects the specific risk relating to the relevant CGU and CGUs as the discount rate. The stable period growth rate is the weighted average growth rate used for subsequent cash flows after the five-year forecast period.

13 Deferred income tax

13.1 The table below includes the deferred income tax assets and liabilities of the Group and the Bank after offsetting qualifying amounts:

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deferred income tax assets	58,962	52,157	57,542	50,853
Deferred income tax liabilities	(638)	(689)	-	-

13.2 Deferred income tax assets/liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

The Group

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	227,429	56,857	197,668	49,400
Fair value changes of derivative financial instruments	29,528	7,382	61,146	15,286
Employee benefits payable	7,770	1,943	7,425	1,856
Provisions	6,275	1,569	5,280	1,320
Fair value changes of financial investment measured at FVOCI	5,026	1,218	1,039	260
Fair value changes of assets and liabilities measured at FVTPL	1,466	357	2,685	671
Fair value changes of precious metals and commodities	-	-	620	155
Others	6,004	1,501	5,225	1,308
Subtotal	283,498	70,827	281,088	70,256
Offset amounts		(11,865)		(18,099)
Deferred income tax assets after offsetting		58,962		52,157

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(33,773)	(8,443)	(63,589)	(15,897)
Fair value changes of financial investment measured at FVOCI	(7,051)	(1,763)	(4,179)	(1,045)
Fair value changes of assets and liabilities measured at FVTPL	(6,302)	(1,571)	(3,596)	(899)
Differences between fair value and carrying amount of identifiable net assets arising from business combinations of entities not under common control	(2,544)	(636)	(2,888)	(689)
Fair value changes of precious metals and commodities	(354)	(88)	(900)	(225)
Others	(8)	(2)	(144)	(33)
Subtotal	(50,032)	(12,503)	(75,296)	(18,788)
Offset amounts		11,865		18,099
Deferred tax liabilities after offsetting		(638)		(689)

The Bank

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	223,468	55,867	193,692	48,423
Fair value changes of derivative financial instruments	29,507	7,377	61,137	15,284
Employee benefits payable	7,566	1,892	7,233	1,808
Provision	6,272	1,568	5,276	1,319
Fair value changes of financial investment measured at FVOCI	4,396	1,099	935	234
Fair value changes of assets and liabilities measured at FVTPL	1,355	339	2,685	671
Fair value changes of precious metals and commodities	-	-	620	155
Others	4,998	1,249	4,057	1,015
Subtotal	277,562	69,391	275,635	68,909
Offset amounts		(11,849)		(18,056)
Deferred tax assets after offsetting		57,542		50,853

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(33,756)	(8,439)	(63,589)	(15,897)
Fair value changes of financial investment measured at FVOCI	(7,051)	(1,763)	(4,179)	(1,045)
Fair value changes of assets and liabilities measured at FVTPL	(6,236)	(1,559)	(3,447)	(862)
Fair value changes of precious metals and commodities	(354)	(88)	(900)	(225)
Others	-	-	(108)	(27)
Subtotal	(47,397)	(11,849)	(72,223)	(18,056)
Offset amounts		11,849		18,056
Deferred tax liabilities after offsetting		-		-

13.3 The movement of the deferred income tax account is as follows:

		The Group		The Bank	
	Note	2021	2020	2021	2020
Net amount at the beginning of the year		51,468	44,898	50,853	44,586
Changes in accounting policies		201	-	196	-
Balance at the beginning of the year		51,669	44,898	51,049	44,586
Charged to profit or loss	V.40	6,389	5,488	6,322	5,181
Charged to other comprehensive income	V.29	266	1,082	171	1,086
Balance at the end of the year		58,324	51,468	57,542	50,853

14 Other assets

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Suspense accounts	66,394	57,674	66,384	57,661
Margin deposits	14,355	10,480	14,355	10,480
Other receivables	4,983	7,487	3,842	6,046
Prepayment for land-use rights and constructions	4,256	4,770	2,150	2,353
Interest receivable	4,065	2,941	4,065	2,941
Payments to Trust Protection Fund on behalf of investors	1,819	2,514	-	-
Long-term deferred expenses	1,180	1,079	1,118	1,030
Repossessed assets	612	720	555	678
Other assets	830	5,253	294	4,900
Total	98,494	92,918	92,763	86,089

15 Impairment allowances for assets

The Group

	1 January 2021	Charges/ (reverse)	Write-off and disposal	Others	31 December 2021
Deposits with banks and other financial institutions	266	(82)	-	-	184
Placements with banks and other financial institutions	146	(8)	-	-	138
Financial assets purchased under resale agreements	1	(1)	-	-	-
Loans and advances to customers measured at amortized cost	119,116	64,774	(81,102)	7,299	110,087
Loans and advances to customers measured at FVOCI	751	(232)	-	-	519
Debt investments	11,899	11,933	(4,082)	(7)	19,743
Other debt investments	1,815	(513)	(64)	(34)	1,204
Accrued interest and interest receivable	1,399	1,888	(657)	-	2,630
Other assets	3,417	(417)	(322)	-	2,678
Total	138,810	77,342	(86,227)	7,258	137,183

	1 January 2020	Charges/ (reverse)	Write-off and disposal	Others	31 December 2020
Deposits with banks and other financial institutions	216	50	-	-	266
Placements with banks and other financial institutions	66	80	-	-	146
Financial assets purchased under resale agreements	1	-	-	-	1
Loans and advances to customers measured at amortized cost	110,059	74,703	(70,044)	4,398	119,116
Loans and advances to customers measured at FVOCI	432	319	-	-	751
Debt investments	8,679	4,250	(1,030)	-	11,899
Other debt investments	1,197	650	-	(32)	1,815
Accrued interest and interest receivable	1,076	607	(284)	-	1,399
Other assets	3,329	312	(224)	-	3,417
Total	125,055	80,971	(71,582)	4,366	138,810

The Bank

	1 January 2021	Charges/ (reverse)	Write-off and disposal	Others	31 December 2021
Deposits with banks and other financial institutions	241	(86)	-	-	155
Placements with banks and other financial institutions	145	(7)	-	-	138
Financial assets purchased under resale agreements	1	(1)	-	-	-
Loans and advances to customers measured at amortized cost	114,168	63,676	(80,917)	7,329	104,256
Loans and advances to customers measured at FVOCI	751	(232)	-	-	519
Debt investments	12,535	11,748	(4,082)	(1)	20,200
Other debt investments	1,073	(277)	(64)	(14)	718
Accrued interest and interest receivable	1,364	1,786	(657)	-	2,493
Other assets	3,331	(419)	(276)	-	2,636
Total	133,609	76,188	(85,996)	7,314	131,115

	1 January 2020	Charges/ (reverse)	Write-off and disposal	Others	31 December 2020
Deposits with banks and other financial institutions	189	52	-	-	241
Placements with banks and other financial institutions	64	81	-	-	145
Financial assets purchased under resale agreements	1	-	-	-	1
Loans and advances to customers measured at amortized cost	106,157	73,205	(69,574)	4,380	114,168
Loans and advances to customers measured at FVOCI	432	319	-	-	751
Debt investments	9,382	4,183	(1,030)	-	12,535
Other debt investments	747	355	-	(29)	1,073
Accrued interest and interest receivable	1,067	358	(61)	-	1,364
Other assets	3,311	199	(179)	-	3,331
Total	121,350	78,752	(70,844)	4,351	133,609

16 Deposits from banks and other financial institutions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deposits from domestic banks	208,531	282,404	215,512	290,180
Deposits from overseas banks	1,478	11,510	1,478	11,510
Deposits from domestic non-bank financial institutions	702,353	872,880	703,484	874,951
Deposits from overseas non-bank financial institutions	9,888	13,164	10,230	13,437
Accrued interest	1,828	2,932	1,847	2,965
Total	924,078	1,182,890	932,551	1,193,043

17 Placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Placements from domestic banks	139,511	123,653	70,053	75,050
Placements from overseas banks	40,244	48,296	32,579	41,342
Placements from domestic non-bank financial institutions	2,600	10,320	-	500
Accrued interest	342	413	95	121
Total	182,697	182,682	102,727	117,013

18 Trading liabilities

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financial liabilities related to precious metals		18,861	6,067	18,861	6,067
Financial liabilities related to short selling of bonds		1,093	-	1,093	-
Interest of other unitholders in consolidated structured entities	(1)	11,326	9,990	-	-
Total		31,280	16,057	19,954	6,067

(1) The Group designated interests attributable to other unit holders in consolidated structured entities as financial liabilities at fair value through profit or loss. As at 31 December 2021 and 31 December 2020, no significant fair value changes have occurred due to changes in the Group's own credit risk.

19 Financial assets sold under repurchase agreements

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Bonds	130,170	125,010	125,989	118,089
Discounted bills	44,016	107,273	44,016	107,273
Accrued interest	33	63	33	63
Total	174,219	232,346	170,038	225,425

20 Deposits from customers

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Current deposits				
- corporate	1,745,409	1,606,179	1,738,847	1,598,391
- retail	340,312	304,281	337,563	301,612
Time deposits				
- corporate	1,631,948	1,508,210	1,628,886	1,505,404
- retail	682,684	655,153	664,599	637,444
Other deposits	2,703	2,661	2,676	2,626
Subtotal	4,403,056	4,076,484	4,372,571	4,045,477
Accrued interest	60,552	45,923	59,404	44,864
Total	4,463,608	4,122,407	4,431,975	4,090,341

21 Employee benefits payable

The Group

	Note	1 January 2021	Additions during the year	Decreased during the year	Others	31 December 2021
Short-term employee benefits						
Salaries, bonuses, allowances		6,170	18,961	(18,263)	-	6,868
Staff welfare		-	973	(973)	-	-
Social insurance						
- Medical insurance		50	889	(894)	-	45
- Work- related injury insurance		3	17	(18)	-	2
- Maternity insurance		14	46	(37)	-	23
Housing fund		25	1,432	(1,431)	-	26
Labour union fee, staff and workers' education fee		233	474	(480)	-	227
Others		-	500	(500)	-	-
Basic pension insurance	(1)	201	1,543	(1,575)	-	169
Unemployment insurance	(1)	-	122	(99)	-	23
Annuity	(1)	3	838	(838)	-	3
Other long-term employee benefits	(2)	7,123	2,605	(2,537)	288	7,479
Total		13,822	28,400	(27,645)	288	14,865

	Note	1 January 2020	Additions during the year	Decreased during the year	Others	31 December 2020
Short-term employee benefits						
Salaries, bonuses, allowances		5,486	19,580	(18,896)	-	6,170
Staff welfare		-	839	(839)	-	-
Social insurance						
- Medical insurance		52	641	(643)	-	50
- Work- related injury insurance		4	11	(12)	-	3
- Maternity insurance		5	40	(31)	-	14
Housing fund		33	1,261	(1,269)	-	25
Labour union fee, staff and workers' education fee		236	458	(461)	-	233
Others		-	436	(436)	-	-
Basic pension insurance	(1)	190	918	(907)	-	201
Unemployment insurance	(1)	23	94	(117)	-	-
Annuity	(1)	4	756	(757)	-	3
Other long-term employee benefits	(2)	6,595	2,475	(2,227)	280	7,123
Total		12,628	27,509	(26,595)	280	13,822

The Bank

	Note	1 January 2021	Additions during the year	Decreased during the year	Others	31 December 2021
Short-term employee benefits						
Salaries, bonuses, allowances		4,706	17,265	(16,710)	-	5,261
Staff welfare		-	907	(907)	-	-
Social insurance						
- Medical insurance		49	843	(849)	-	43
- Work- related injury insurance		3	16	(17)	-	2
- Maternity insurance		14	44	(35)	-	23
Housing fund		24	1,376	(1,375)	-	25
Labour union fee, staff and workers' education fee		232	438	(454)	-	216
Others		-	494	(494)	-	-
Basic pension insurance	(1)	201	1,466	(1,501)	-	166
Unemployment insurance	(1)	-	120	(97)	-	23
Annuity	(1)	3	807	(807)	-	3
Other long-term employee benefits	(2)	6,951	2,297	(2,214)	272	7,306
Total		12,183	26,073	(25,460)	272	13,068

	Note	1 January 2020	Additions during the year	Decreased during the year	Others	31 December 2020
Short-term employee benefits						
Salaries, bonuses, allowances		4,248	18,025	(17,567)	-	4,706
Staff welfare		-	782	(782)	-	-
Social insurance						
- Medical insurance		51	610	(612)	-	49
- Work- related injury insurance		4	11	(12)	-	3
- Maternity insurance		5	37	(28)	-	14
Housing fund		32	1,212	(1,220)	-	24
Labour union fee, staff and workers' education fee		236	431	(435)	-	232
Others		-	424	(424)	-	-
Basic pension insurance	(1)	189	911	(899)	-	201
Unemployment insurance	(1)	22	94	(116)	-	-
Annuity	(1)	4	728	(729)	-	3
Other long-term employee benefits	(2)	6,478	2,349	(2,143)	267	6,951
Total		11,269	25,614	(24,967)	267	12,183

(1) The post-employment benefits of the Group are basic pension insurance, unemployment insurance and annuity. All of them belong to defined contribution plans.

(2) The other long-term employee benefits of the group are deferred payment which are accrued according to the requirements of regulators and the relevant regulations of the bank. The timeline for the deferred payment is three years.

22 Tax payable

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Corporate income tax	25,170	23,804	24,703	23,153
VAT	3,737	2,591	3,568	2,493
Withholding tax and others	1,522	1,298	634	596
Total	30,429	27,693	28,905	26,242

23 Debt securities issued

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Interbank deposit certificates and deposit certificates issued	(1)	900,375	780,410	900,375	780,410
Bonds issued					
Subordinated bond issued in 2011	(2)	-	18,400	-	18,400
Subordinated bond issued in 2012	(3)	12,000	12,000	12,000	12,000
Green Financial Bond 02	(4)	-	15,000	-	15,000
Green Financial Bond 03	(5)	-	15,000	-	15,000
2018 Tier II First Financial Bond	(6)	20,000	20,000	20,000	20,000
2018 Tier II Second Financial Bond	(7)	20,000	20,000	20,000	20,000
2019 First Special Financial Bond for Small and Micro Enterprise Loans	(8)	50,000	50,000	50,000	50,000
2020 First Financial Bond	(9)	32,000	32,000	32,000	32,000
2020 Tier II Second Financial Bond	(10)	8,000	8,000	8,000	8,000
2020 Tier II Third Financial Bond	(11)	30,000	30,000	30,000	30,000
2020 Tier II Fourth Financial Bond	(12)	10,000	10,000	10,000	10,000
2020 First Financial Bond	(13)	50,000	50,000	50,000	50,000
2021 First Financial Bond	(14)	60,000	-	60,000	-
2021 Second Financial Bond	(15)	40,000	-	40,000	-
Hong Kong medium-term note	(16)	11,513	8,829	11,513	8,829
Singapore medium-term note	(17)	1,912	1,962	1,912	1,962
London medium-term note	(18)	1,912	1,962	1,912	1,962
SPDB Convertible corporate bonds	(19)	49,998	49,999	49,998	49,999
2018 SPDB Financial Leasing Financial Bond	(20)	-	5,000	-	-
2019 First SPDB Financial Leasing Financial Bond	(21)	2,000	2,000	-	-
2019 Second SPDB Financial Leasing Financial Bond	(22)	2,000	2,000	-	-
2020 Tier II SPDB Financial Leasing Financial Bond	(23)	1,100	1,100	-	-
2020 SPDB Financial Leasing Financial Bond	(24)	3,000	3,000	-	-
2021 SPDB Financial Leasing Financial Green Bond	(25)	3,000	-	-	-
2021 First SPDB Financial Leasing Financial Bond	(26)	2,000	-	-	-
Subtotal		410,435	356,252	397,335	343,152
Add / (Less): Unamortized issue cost		459	(975)	479	(961)
Debt securities issued		410,894	355,277	397,814	342,191
Accrued interest		5,852	4,966	5,702	4,778
Total		1,317,121	1,140,653	1,303,891	1,127,379

(1) As at 31 December 2021, the Group issued a total of 191 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 365 days and interest rates falling within a range from 2.30% to 3.18% (As at 31 December 2020, the Group issued a total of 323 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 365 days and interest rates falling within a range from 1.40% to 3.36%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2021, the number of deposit certificates publicly issued but not yet expired were 77 in total, with the longest term to maturity being 365 days and interest rates falling within a range from 0% to 3.15% (as at 31 December 2020, the number of deposit certificates publicly issued but not yet expired were 72 in total, with the longest term to maturity being 365 days and interest rates falling within a range from 0% to 2.06%).

(2) The Bank issued subordinated bond in the amount of RMB 18.4 billion in the domestic inter-bank market on 11 October 2011 which have a term of 15 years through maturity, with a fixed annual coupon rate of 6.15%. The Bank is entitled to redeem entire portion of bond at face value on its tenth anniversary. The Bank has exercised the above redemption option.

(3) The Bank issued subordinated bond in the amount of RMB 12.0 billion in the domestic inter-bank market on 27 December 2012 which have a term of 15 years through maturity, with a fixed annual coupon rate of 5.20%. The Bank is entitled to redeem entire portion of bond at face value on its tenth anniversary.

(4) The Bank issued “2016 Second Green Financial Bond” in the amount of RMB 15 billion in the domestic inter-bank market on 25 March 2016 which has a term of 5 years through maturity, with a fixed annual coupon rate of 3.20%.

(5) The Bank issued “2016 Third Green Financial Bond” in the amount of RMB 15 billion in the domestic inter-bank market on 14 July 2016 which has a term of 5 years through maturity, with a fixed annual coupon rate of 3.40%.

(6) The Bank issued Tier II capital instruments in the amount of RMB 20 billion in the domestic inter-bank market on 5 September 2018 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.96%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(7) The Bank issued Tier II capital instruments in the amount of RMB 20 billion in the domestic inter-bank market on 14 September 2018 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.96%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(8) The Bank issued “2019 First Special Financial Bond for Small and Micro Enterprise Loans” in the amount of RMB 50 billion in the domestic inter-bank market on 25 March 2019 which have a term of 3 years, with a fixed annual coupon rate of 3.50%.

(9) The Bank issued Tier II capital instruments in the amount of RMB 32 billion in the domestic inter-bank market on 30 July 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 3.87%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(10) The Bank issued Tier II capital instruments in the amount of RMB 8 billion in the domestic inter-bank market on 30 July 2020 which have a term of 15 years through maturity, with a fixed annual coupon rate of 4.18%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its tenth anniversary under certain conditions.

(11) The Bank issued Tier II capital instruments in the amount of RMB 30 billion in the domestic inter-bank market on 15 September 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.27%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(12) The Bank issued Tier II capital instruments in the amount of RMB 10 billion in the domestic inter-bank market on 15 September 2020 which have a term of 15 years through maturity, with a fixed annual coupon rate of 4.52%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its tenth anniversary under certain conditions.

(13) The Bank issued “2020 First Financial Bond” in the amount of RMB 50 billion in the domestic inter-bank market on 27 April 2020 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.08%.

(14) The Bank issued “2021 First Financial Bond” in the amount of RMB 60 billion in the domestic inter-bank market on 23 March 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.48%.

(15) The Bank issued “2021 Second Financial Bond” in the amount of RMB 40 billion in the domestic inter-bank market on 2 December 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.97%.

(16) The Bank issued USD 350 million medium-term note in Hong Kong Stock Exchange on 13 July 2017 which has a term of 5 years through maturity, with a flexible annual coupon rate of 3ML+95BPS. The Bank issued USD 500 million medium-term note in Hong Kong Stock Exchange on 24 September 2018 which has a term of 5 years through maturity, with a flexible annual coupon rate of 3ML+84BPS, which has expired this year. The Bank issued USD 500 million medium-term note in Hong Kong Stock Exchange on 27 July 2020 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS. The Bank simultaneously issued HK 2 billion medium-term notes and US 700 million medium-term notes in Hong Kong Stock Exchange on 13 July 2021 which has the term of 2 years and 3 years respectively, and the coupon rate is 0.600% of the fixed interest rate and 0.875% of the fixed interest rate respectively.

(17) The Bank issued USD 300 million medium-term note in Singapore Exchange Limited on 26 November 2018 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+87BPS. On January 19, 2021, the Bank issued medium-term notes with a total amount of US $300 million on the Singapore Exchange; The term of the note is 3 years, and the coupon annual interest rate is fixed at 1.056%.

(18) The Bank issued issued USD 300 million medium-term notes in London Stock Exchange on 29 October 2019 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+70BPS.

(19) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB50 billion A-share convertible corporate bonds on 15 November 2019. The convertible corporate bonds have a term of six years from 28 October 2019 to 27 October 2025, at coupon rates of 0.20% for the first year, 0.80% for the second year, 1.50% for the third year, 2.10% for the fourth year, 3.20% for the fifth year and 4.00% for the sixth year. The conversion of these convertible corporate bonds begins from the first trading day after six months upon the completion date of the offering (4 May 2020) to the maturity date (27 October 2025).

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB 15.05 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances (excluding the conversion of convertible bonds due to this issue). The holder of this bond applies for a conversion within the conversion period. The number of conversions is calculated by dividing the total amount of the bond faced by the bond holder applying for the conversion by the effective conversion price on the day of application for the conversion. Within five trading days after the expiration of the convertible bonds issued by the Bank, the Bank will redeem all unconverted convertible bonds at 110% of the face value of the bonds' convertible bonds (including the interest of the last year). For the specific issuance terms of this bond, please refer to the relevant issuance announcement.

As at 31 December 2021, a total of RMB 1,290,000 SPDB covertible bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 87,609, accounting for 0.0003% of the total issued ordinary shares of the company before the conversion of SPDB covertible bonds The cumulative effect of the conversion on other equity instruments of the Bank was not material.

The liabilities and equity components of the convertible corporate bonds issued by the Group and the Bank are as follows:

	Liability	Equity (Note V.26)	Total
Issued amount of convertible bonds	47,214	2,786	50,000
Direct issuance expenses	(78)	(4)	(82)
Balance at the issuance date	47,136	2,782	49,918
Amortisation in the prior year	1,989	-	1,989
Converted bonds in the prior year	(1)	-	(1)
Balance at 1 January 2021	49,124	2,782	51,906
Amortisation in the current period	1,442	-	1,442
Converted bonds during the year	(1)	-	(1)
Balance at 31 December 2021	50,565	2,782	53,347

(20) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2018 Financial Bond" in the amount of RMB 5 billion in the domestic inter-bank market on 19 July 2018 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.49%.

(21) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2019 first Financial Bond" in the amount of RMB 2 billion in the domestic inter-bank market on 23 July 2019 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.62%.

(22) SPDB Financial Leasing Co., Ltd, the subsidiary of the Bank, issued "2019 second Financial Bond" in the amount of RMB 2 billion in the domestic inter-bank market on 20 August 2019 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.45%.

(23) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bankissued Tier II capital instruments in the amount of RMB 1.1 billion in the domestic inter-bank market on 11 August 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.20%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(24) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2020 Financial Bond" in the amount of RMB 3 billion in the domestic inter-bank market on 17 November 2020 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.88%.

(25) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2021 Financial Bond" in the amount of RMB 3 billion in the domestic inter-bank market on 6 July 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.38%.

(26) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2021 First Financial Bond" in the amount of RMB 2 billion in the domestic inter-bank market on 21 October 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.30%.

24 Provisions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Impairment allowance for financial guarantees and loan commitments	6,274	5,280	6,271	5,276
Others	1	-	1	-
Total	6,275	5,280	6,272	5,276

25 Other liabilities

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Suspense accounts	25,001	24,084	24,998	24,079
Contract liabilities	3,140	2,832	2,545	1,954
Advance from performance deposits and other deposits	3,288	9,739	202	5,777
Accrued charges	2,758	1,410	2,748	1,395
Others	4,846	6,325	2,313	3,450
Total	39,033	44,390	32,806	36,655

26 Share capital

The Group and the Bank

	31 December 2021	31 December 2020
Domestic listed RMB ordinary share (A shares)	29,352	29,352

A shares issued by the Bank are all ordinary share, with par value of RMB 1 per share. All shares rank pari passu in all respects with each other.

27 Other equity instrument

The Group and the Bank

	Note	31 December 2021	31 December 2020
Other equity instruments included in the tier 1 capital of the Bank-Equity of SPDB convertible corporate bonds	(1)	2,782	2,782
Other equity instruments included in other tier 1 capital of the Bank	(2)	109,909	109,909
Total		112,691	112,691

(1) As at 31 December 2021, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2020: RMB 2,782 million), see Note V.23(19) for specific information.

(2) Other equity instruments included in other tier 1 capital of the Bank

Name of other equity instruments outstanding	Dividend rate	Issuance Price (RMB)	Number	Opening amount	Movements during the year	Closing amount	Maturity date or renewals	Conversion (Yes/No)
Pufayou 1 (a)	6% for the first five years; 5.58% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
Pufayou 2 (a)	5.5% for the first five years; 4.81% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
19 SPDB Perpetual bond (b)	4.73% for the first five years	100	300 million	30,000	-	30,000	No maturity date	No
20 SPDB Perpetual bond (b)	4.75% for the first five years	100	500 million	50,000	-	50,000	No maturity date	No
Less: Issue expenses				(91)	-	(91)		
Carrying amount				109,909	-	109,909		

(a) On 28 November 2014 and 6 March 2015, the Bank issued non-cumulative preference shares with a total par value of RMB 30,000 million. The proceeds after deducting transaction costs amounted to RMB 29,920 million and were recorded as other equity instruments. The Bank has the option to redeem part or all outstanding preference shares on any dividend payment date after five years from the issuance if certain conditions are met, under the approval obtained from the CBIRC. Holders of the preference shares have no right to require the Bank to redeem the outstanding preference shares. Dividends of the preference shares are payable in cash on annual basis at a fixed dividend rate which is adjusted every five years. The Bank at its discretion has the right not to declare and distribute the dividends of the preference shares in part or full.

Upon occurrence of any of the following triggering events and subject to the approval from the CBIRC, the Bank's outstanding preference shares shall be mandatorily converted in part or full to the Bank's ordinary shares:

1. When the core tier 1 capital adequacy ratio of the Bank decreases to 5.125% or below, upon the approval from the Board of Directors, the outstanding preference share shall be converted into the Bank's ordinary shares in part or full at a pre-determined mandatory conversion price so as to bring the Bank's core tier 1 capital adequacy ratio back to above 5.125%;

2. When any triggering event of the Bank's tier 2 capital instruments occurs, the outstanding preference shares shall be converted to the Bank's ordinary A shares at the pre-determined mandatory conversion price.

Under the approval from regulatory authority, the outstanding preference shares will be fully or partially converted to ordinary A shares at the price of RMB 7.62 per share when meeting the mandatory conversion triggering conditions. If the Bank subsequently appropriates bonus shares, transfers retained earnings to ordinary shares, issues new ordinary shares (excluding any increase of ordinary shares due to conversion of convertible financial instruments issued by the Bank, such as preference shares and convertible bonds, etc.) or issue rights, the conversion price shall be adjusted subject to the terms and formula provided by the offering documents to adjust for the dilutive effects of these specified increases in ordinary shares.

Pursuant to the relevant laws and regulations, and the Approval from CBIRC on the Bank's Non-Public Offering of Preference Shares and Corresponding Revisions to the Article of Association (YJF [2014] No.564), the proceeds from the issuance of preference shares shall be used to supplement the other tier 1 capital of the Bank.

Upon liquidation, the holders of the Bank's preference shares are entitled to the repayment at the par value of the outstanding preference shares prior to any distribution to the holders of the Bank's ordinary shares. If the remaining assets of the Bank are not sufficient to cover the par value, they are allocated to the holders of preference shares on proportionate basis.

(b) The Bank issued “2019 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd. ” (RMB 30 billion) and “2020 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd.” (RMB 50 billion) in the inter-bank market on July 2019 and November 2020 respectively, which were all accounted for as other equity instruments after deducting issuance expenses .The duration of this Perpetual bondwas consistent with the duration of the Bank's continuing operations. The Bank shall have the right to redeem the Perpetual bondin whole or in part on the fifth distribution payment date since the issuance, provided that prerequisite for redemption is met and such redemption is approved by the CBIRC, and the bond investors have no right to request the Bank to redeem the capital bonds with unfixed terms. The Bank shall have the right to cancel, in whole or in part, distributions on the capital bonds with unfixed terms.

Pursuant to applicable laws and regulations and the “CBIRC 's Reply on the Issuance of Unfixed-Term Capital Bonds by SPDB” ([2020] No. 596) and the “CBIRC's Reply on the Issuance of Unfixed-Term Capital Bonds by SPDB” (Yinbao Jianfu [2020] No. 595), the funds raised from Perpetual bondare used to supplement other Tier 1 capital of the Bank.

The compensation order of the Perpetual bondis behind of depositors, general creditors and subordinated debts that are prior than the capital bonds with unfixed terms, and ahead of all types of shares held by shareholders of the Bank; the Perpetual bondwill be compensated in the same order with other Tier 1 capital instruments which have the same compensation order.

As for the “2019 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd.”,The Bank has the right to write down the bonds without obtaining the consent of the Perpetual bondinvestor when the Bank triggers the following trigger events as deemed by the CBIRC or relevant departments and obtains regulatory approval.

1. Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Perpetual bondissued and existing at that time in accordance with the total par value, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%;

2. When any triggering event of the Bank’s tier 2 capital instruments occurs, the Bank has the right to write down all the above Perpetual bondissued and existing at that time in accordance with the total par value without the consent of the bondholders.

As for the “2020 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd.”, if the trigger events does not occurr, the Bank has the right to write down the bonds without obtaining the consent of the bond holder.

No occurrence of trigger events refers to the earlier of the below situation: (1) CBIRC determines that the issuer will not survive without written-off; or (2) the relevant departments determine that the issuer will not survive without the capital contribution from public sector or equivalent support.

28 Capital reserves

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Share premium	81,691	81,690	81,691	81,690
Other capital surplus				
- Capital increase of subsidiaries	50	50	-	-
- Others	21	21	21	21
Total	81,762	81,761	81,712	81,711

As mentioned in Note V. 23(19), with the approval of the CBIRC and other relevant institutions, the Bank publicly issued A-share convertible corporate bonds with a face value of RMB 50 billion in 2019. As of December 31, 2021, about RMB 1,290,000 of convertible corporate bonds had been converted into A-share ordinary shares, accumulatively increasing the bank's share capital to 87,609 shares, and increasing the Bank's share capital premium accordingly.

29 Other comprehensive income

The Group

	Opening balance of other comprehensive income attributable to the Bank's Shareholders	For the year from 1 January 2021 to 31 December 2021					Ending balance of other comprehensive income attributable to the Bank's Shareholders
		Transfer in before tax	Less: transfer out	Less: income tax	Attributable to the Bank after tax	Attributable to minority shareholders after tax	
Items that may be reclassified to profit or loss							
Financial investments measured at FVOCI							
- Fair value changes	1,479	669	(1,214)	108	(440)	3	1,039
- Impairment allowance	2,081	(779)	(64)	170	(664)	(9)	1,417
Exchange differences from the translation of foreign operations	85	(101)	-	-	(100)	(1)	(15)
Cash flow hedge reserve	(3)	31	-	(2)	20	9	17
Others	-	1	-	-	1	-	1
Item that will not be reclassified to profit or loss							
Changes in fair value of other equity instruments	334	38	-	(10)	28	-	362
	3,976	(141)	(1,278)	266	(1,155)	2	2,821

	Opening balance of other comprehensive income attributable to the Bank's Shareholders	For the year from 1 January 2020 to 31 December 2020 Transfer in before tax	Less: transfer out	Less: income tax	Attributable to the Bank after tax	Attributable to minority shareholders after tax	Ending balance of other comprehensive income attributable to the Bank's Shareholders
Items that may be reclassified to profit or loss							
Financial investments measured at FVOCI							
- Fair value changes	5,000	(1,936)	(2,741)	1,148	(3,521)	(8)	1,479
- Impairment allowance	1,334	937	-	(182)	747	8	2,081
Exchange differences from the translation of foreign operations	255	(184)	-	-	(170)	(14)	85
Cash flow hedge reserve	(1)	(5)	-	1	(2)	(2)	(3)
Item that will not be reclassified to profit or loss							
Changes in fair value of other equity instruments	679	(460)	-	115	(345)	-	334
	7,267	(1,648)	(2,741)	1,082	(3,291)	(16)	3,976

The Bank

	Opening balance of other comprehensive income	For the year from 1 January 2021 to 31 December 2021 Transfer in before tax	Less: transfer out	Less: income tax	after tax	Ending balance of other comprehensive income
Items that may be reclassified to profit or loss						
Financial investments measured at FVOCI						
- Fair value changes	1,676	1,007	(1,143)	34	(102)	1,574
- Impairment allowance	1,368	(523)	(64)	148	(439)	929
Exchange differences from the translation of foreign operations	(31)	7	-	-	7	(24)
Cash flow hedge reserve	2	6	-	(1)	5	7
Others	-	1	-	-	1	1
Item that will not be reclassified to profit or loss						
Changes in fair value of other equity instruments	334	38	-	(10)	28	362
	3,349	536	(1,207)	171	(500)	2,849

	Opening balance of other comprehensive income	For the year from 1 January 2020 to 31 December 2020 Transfer in before tax	Less: transfer out	Less: income tax	after tax	Ending balance of other comprehensive income
Items that may be reclassified to profit or loss						
Financial investments measured at FVOCI						
- Fair value changes	5,077	(2,047)	(2,487)	1,133	(3,401)	1,676
- Impairment allowance	884	645	-	(161)	484	1,368
Exchange differences from the translation of foreign operations	30	(61)	-	-	(61)	(31)
Cash flow hedge reserve	-	3	-	(1)	2	2
Item that will not be reclassified to profit or loss						
Changes in fair value of other equity instruments	679	(460)	-	115	(345)	334
	6,670	(1,920)	(2,487)	1,086	(3,321)	3,349

30 Surplus reserves

The Group and The Bank

	1 January 2021	Addition	31 December 2021
Statutory reserve	22,206	-	22,206
Discretionary reserve	120,533	16,553	137,086
Total	142,739	16,553	159,292

	1 January 2020	Addition	31 December 2020
Statutory reserve	22,206	-	22,206
Discretionary reserve	103,599	16,934	120,533
Total	125,805	16,934	142,739

Pursuant to related PRC regulations, the Bank is required to appropriate 10% of its annual net profit to a statutory reserve until such reserve has reached 50% of ordinary shares. After the appropriation of statutory reserve, the Bank may further appropriate discretionary reserve.

31 General risk reserve

The Group

	1 January 2021	Addition	31 December 2021
General risk reserve	79,640	11,353	90,993

	1 January 2020	Addition	31 December 2020
General risk reserve	76,249	3,391	79,640

The Bank

	1 January 2021	Addition	31 December 2021
General risk reserve	78,000	11,000	89,000

	1 January 2020	Addition	31 December 2020
General risk reserve	74,900	3,100	78,000

Pursuant to Caijin [2012] No. 20 “Administration Rules on Appropriation to General Risk Reserve for Financial Institutions” issued by MOF, the Bank is required to make appropriation to a general risk reserve.

General risk reserve of the Group also includes appropriation of the Bank’s subsidiaries required by industry or district regulations.

32 Profit appropriations

(1) Profit distribution for the year ended 31 December 2020

Pursuant to the approval at the Shareholders’ meeting on 11 June 2021, the Bank’s profit distribution plan for the year ended 31 December 2020 is as follows:

(i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 16,553 million;

(ii) Appropriate RMB 11 billion as general reserve;

(iii) The Bank declared and distributed cash dividends of RMB 4.8 (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution.

(2) Profit distribution for the year ended 31 December 2019

Pursuant to the approval at the Shareholders’ meeting on 19 June 2020, the Bank’s profit distribution plan for the year ended 31 December 2019 is as follows:

(i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 16,934 million;

(ii) Appropriate RMB 3.1 billion as general reserve;

(iii) The Bank declared and distributed cash dividends of RMB 6 (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution.

(3) Dividend distribution for preference shares

On 19 November 2021, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 837 million in total (tax included) on 3 December 2021, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 24 February 2021, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 721.5 million in total (tax included) on 11 March 2021, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

On 18 November 2020, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 837 million in total (tax included) on 3 December 2020, which were calculated according to the rate of Pufayou 1 (5.58%).

On 2 February 2020, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 825 million in total (tax included) on 11 March 2020, which were calculated according to the rate of Pufayou 2 (5.5%).

(4) Interests payment of capital bonds with unfixed terms

In November 2021, the Bank has declared the distribution of RMB 2.375 billion of interests of prepertual bonds according to the relevant terms of issuance of the 2020 capital bonds with unfixed terms.

In July 2021, the Bank has declared the distribution of RMB 1.419 billion of interests of prepertual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

In July 2020, the Bank has declared the distribution of RMB 1.419 billion of interests of prepertual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

33 Net interest income

	The Group		The Bank	
	2021	2020	2021	2020
Interest income				
Loans and advances to customers				
- Corporate loans	91,588	92,637	87,618	89,180
- Retail loans	112,530	113,497	111,599	112,607
- Discounted bills	14,428	9,853	14,428	9,852
Financial investments				
- debt investments	46,765	41,763	46,732	41,630
- other debt investments	17,858	20,642	17,412	20,301
Placements with banks and other financial institutions	7,730	7,327	7,754	7,408
Deposits with central bank	5,734	5,871	5,701	5,836
Financial assets purchased under resale agreements	2,270	1,315	2,270	1,315
Deposits with banks and other financial institutions	1,790	2,080	1,618	1,974
Subtotal	300,693	294,985	295,132	290,103

	The Group		The Bank	
	2021	2020	2021	2020
Interest expense				
Deposits from customers	(84,867)	(82,713)	(84,028)	(81,953)
Debt securities issued	(38,664)	(32,861)	(38,163)	(32,356)
Deposits from banks and other financial institutions	(26,319)	(24,373)	(26,587)	(24,519)
Borrowing from central bank	(7,500)	(8,009)	(7,476)	(7,989)
Financial assets sold under repurchase agreements	(3,933)	(4,902)	(3,933)	(4,902)
Placements from banks and other financial institutions	(3,452)	(3,546)	(1,377)	(2,022)
Subtotal	(164,735)	(156,404)	(161,564)	(153,741)
Net interest income	135,958	138,581	133,568	136,362

34 Net fee and commission income

	The Group		The Bank	
	2021	2020	2021	2020
Fee and commission income				
Custodian and other fiduciary activities commissions	13,657	15,415	9,761	11,822
Fees from bank cards	12,863	14,528	12,862	14,527
Agency commissions	4,799	5,078	4,798	5,078
Fees from investment banking activities	3,694	4,457	3,501	4,358
Credit commitment fees	2,300	2,223	2,298	2,221
Settlement and clearing fees	971	883	971	883
Others	1,563	1,673	1,297	1,269
Subtotal	39,847	44,257	35,488	40,158
Fee and commission expense	(10,713)	(10,311)	(10,778)	(10,409)
Net fee and commission income	29,134	33,946	24,710	29,749

35 Investment income

	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Financial investments:				
- Trading assets	11,020	15,320	9,938	14,134
- Debt investments	1,010	433	1,010	433
- Other debt investments	(379)	1,118	(450)	864
- Other equity investments	52	45	62	45
Derivative financial instruments	1,792	(1,686)	1,792	(1,686)
Precious metals	1,675	1,640	1,675	1,640
Gain on disposal of bills	1,593	1,623	1,593	1,623
Long-term equity investments accounted for using the equity method	223	146	190	130
Dividends from subsidiaries	-	-	117	243
Others	311	341	311	341
Total	17,297	18,980	16,238	17,767

36 Gains or losses from change of fair value

	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Trading assets	3,938	(545)	4,049	(1,968)
Derivative financial instruments	997	4,697	997	4,697
Loans and advances to customers measured at FVTPL	94	101	78	101
Precious metals	74	(2,485)	74	(2,485)
Hedged bonds	(491)	267	(491)	267
Others	(108)	185	(108)	185
Total	4,504	2,220	4,599	797

37 Foreign exchange gains

	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Gains or losses from changes in fair values of foreign exchange derivatives	641	382	641	382
Gains or losses from investment in foreign exchange derivatives	(351)	309	(351)	309
Others	523	(906)	520	(866)
Total	813	(215)	810	(175)

38 General and administrative expenses

	The Group		The Bank	
	2021	2020	2021	2020
Staff costs				
- Short-term employee benefits	23,292	23,266	21,383	21,532
- Post-employment benefits	2,503	1,768	2,393	1,733
- Other long-term employement benefits	2,605	2,475	2,297	2,349
Depreciation and amortisation	6,226	3,212	6,004	2,950
Short-term and low-value asset lease fees	421	N/A	374	N/A
Rental expenses	N/A	3,372	N/A	3,180
Others	14,931	12,609	14,098	11,962
Total	49,978	46,702	46,549	43,706

39 Impairment on credit losses

	The Group		The Bank	
	2021	2020	2021	2020
Loans and advances to customers	64,542	75,022	63,444	73,524
Others	13,789	4,525	13,731	3,804
Total	78,331	79,547	77,175	77,328

40 Income tax expense

	The Group		The Bank	
	2021	2020	2021	2020
Current income tax expense	11,694	13,177	10,506	11,880
Deferred income tax expense	(6,389)	(5,488)	(6,322)	(5,181)
Total	5,305	7,689	4,184	6,699

Reconciliations between the Group's income tax expenses calculated using the statutory tax rate and actual income tax expense are as follows:

	The Group		The Bank	
	2021	2020	2021	2020
Profit before income tax	59,071	66,682	54,493	61,875
Tax calculated at statutory tax rate of the PRC	14,768	16,671	13,623	15,468
Tax effect from other various tax rates adopted by subsidiaries	(43)	(126)	-	-
Tax effect of non-deductible expenses	377	497	319	348
Tax effect of non-taxable income	(9,716)	(9,486)	(9,691)	(9,251)
Other tax adjustments	(81)	133	(67)	134
Income tax expense	5,305	7,689	4,184	6,699

41 Earnings per share

(1) Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing net profit for the year attributable to the holders of the Bank's share capital by the weighted average number of share capital outstanding during the year. The conversion feature of preference shares is considered to fall within the category of contingently issuable share capital. As at 31 December 2021, the triggering events of share conversion did not occur. Therefore, the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share in the current period.

The Group

	2021	2020
Profit for the year attributable to shareholders of the Bank	53,003	58,325
Less: Profit for the year attributable to preference shareholders of the Bank	(1,559)	(1,662)
Payment of interests of non-fixed term capital bonds	(3,794)	(1,419)
Profit for the year attributable to the holders of the Bank's share capital	47,650	55,244
Weighted average number of outstanding share capital (million)	29,352	29,352
Basic EPS (RMB)	1.62	1.88

The Bank declared cash dividends of RMB 1,559 million for preference share and interests payment of RMB3,794 million for Perpetual bondin this year. For the purpose of calculating EPS, dividends on preference shares declared and interets of Perpetual bondin respect of the year have been deducted from the profit attributable to ordinary shareholders of the Bank.

(2) Diluted earnings per share

The diluted earnings per share is calculated on the assumption that the RMB 50 billion convertible corporate bonds publicly issued by the Bank in 2019 deemed to have all been converted to ordinary shares upon issuance and by dividing, after adjustments for the interest expenses of the convertible corporate bonds for the year the net profit of the year attributable to ordinary shareholders of the Bank by the adjusted weighted average number of ordinary shares outstanding during the year.

The Group

	2021	2020
Net profit for the current year attributable to shareholders of the Bank	47,650	55,244
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	1,429	1,377
Net profit for the current year attributable to ordinary shareholders of the Bank	49,079	56,621
Weighted average number of outstanding ordinary shares (million)	29,352	29,352
Add: Assume that convertible corporate bonds are entirely converted to weighted average number of ordinary shares (million)	3,460	3,322
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	32,812	32,674
Diluted earnings per share (RMB)	1.50	1.73

42 Cash and cash equivalents

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash	5,470	5,356	5,338	5,214
Surplus resrves with central bank	73,454	143,283	70,405	140,336
Deposits with banks and other financial institutions with original maturities no more than three months	86,329	105,960	80,953	101,619
Placements with banks and other financial institutions with original maturities no more than three months	50,838	27,524	50,838	28,951
Financial assets purchased under resale agreements with original maturities no more than three months	35	36,495	18	36,495
Total	216,126	318,618	207,552	312,615

43 Supplementary information of statement of cash flow

(a) Supplementary information of statement of cash flow

Reconciliation of net profit to cash flows from operating activities:

	The Group		The Bank	
	2021	2020	2021	2020
Net profit	53,766	58,993	50,309	55,176
Add: Impairment on credit losses	78,331	79,547	77,175	77,328
Impairment losses on other assets	13	6	13	3
Depreciations and amortizations	7,261	4,023	6,004	2,950
Interest expense on lease liabilities	316	-	300	-
Net gains or loss from disposal of fixed assets, intangible assets and other long-term assets	(26)	8	(26)	8
Net gains from changes in fair value	(4,504)	(2,220)	(4,599)	(797)
Foreign exchange (gains) / losses	(641)	(382)	(641)	(382)
Interest expenses on debt securities issued	38,664	32,055	38,163	31,550
Interest income from investment in debt instruments	(64,623)	(61,795)	(64,144)	(61,321)
Net investment gains	(8,859)	(14,215)	(8,171)	(14,160)
Increase in deferred tax assets	(6,338)	(5,543)	(6,322)	(5,181)
(Decrease) / increase in deferred tax liabilities	(51)	55	-	-
Increase in operating receivables	(362,193)	(663,885)	(346,950)	(637,143)
Increase/(decrease) in operating payables	11,692	699,738	(2,156)	666,241
Net cash flows (used in) / generated from operating activities	(257,192)	126,385	(261,045)	114,272

(b) Changes in cash and cash equivalents

	The Group		The Bank	
	2021	2020	2021	2020
Cash and cash equivalents at the end of the year	216,126	318,618	207,552	312,615
Cash and cash equivalents at the beginning of the year	(318,618)	(205,084)	(312,615)	(197,837)
Net (decrease) / increase in cash and cash equivalents	(102,492)	113,534	(105,063)	114,778

44 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets.

Assets backed securitization transaction

For the year ended 31 December 2021, the Group transferred financial assets amounted to RMB 18,464 million through assets backed securitization transactions, and all have met the requirement of derecognition (For the year ended 31 December 2020, the Group transferred financial assets amounted to RMB 23,948 million through assets backed securitization transactions, and all have met the requirement of derecognition).

As at 31 December 2021, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 35,874 million (31 December 2020: RMB 22,276 million) to securitised entities. The Group neither transfers nor retains substantially all of the risks and rewards related to ownership of the credit assets, but it retains control over the credit assets. The Group will recognise the assets on the balance sheet according to the degree of its continued involvement, and the rest will be derecognised. As at 31 December 2021, the assets value of the Group's continued recognition was RMB 4,650 million (31 December 2020: RMB 2,639 million).

Transfer of loans assets

For the year ended 31 December 2021, the Group directly transferred and derecognized a total amount of RMB 8,514 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition (For the year ended 31 December 2020, the Group directly transferred and derecognized a total amount of RMB 9,674 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition).

Securities lending transaction

In the securities lending transaction, the counterparty may sell or re-use the above securities in the condition that no default exists, but at the same time bear the obligation to return the above securities on the expiration date specified in the agreement. For the above business, the Group believes that the Group retains most of the risks and rewards of the relevant securities and therefore does not derecognize the relevant securities. As at 31 December 2021, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 40,639 million (31 December 2020: RMB 39,680 million).

VI Interests in other entities

1 Interests in major subsidiaries

1.1 Major subsidiaries of the Group

Name of subsidiaries	Place of main business	Place of registration	Obtaining method	Share-holding percentage (direct)
SPDB Financial Leasing Co., Ltd.	Shanghai	Shanghai	Establishment	61.02%
Shanghai International Trust	Shanghai	Shanghai	Acquisition	97.33%
SPDB International Holding ,Ltd.	Hong Kong	Hong Kong	Acquisition	100.00%
Mianzhu SPD Rural Bank Co., Ltd.	Mianzhu, Sichuan	Mianzhu, Sichuan	Establishment	55.00%
Liyang SPD Rural Bank Co., Ltd.	Liyang, Jiangsu	Liyang, Jiangsu	Establishment	51.00%
Gongyi SPD Rural Bank Co., Ltd.	Gongyi, Henan	Gongyi, Henan	Establishment	51.00%
Fengxian SPD Rural Bank Co., Ltd.	Fengxian, Shanghai	Fengxian, Shanghai	Establishment	51.00%
Zixing SPD Rural Bank Co., Ltd.	Zixing, Hunan	Zixing, Hunan	Establishment	51.00%
Chongqing Banan SPD Rural Bank Co., Ltd.	Banan, Chongqing	Banan, Chongqing	Establishment	51.00%
Zouping SPD Rural Bank Co., Ltd.	Zouping, Shandong	Zouping, Shandong	Establishment	51.00%
Zezhou SPD Rural Bank Co., Ltd.	Jincheng Shanxi	Jincheng Shanxi	Establishment	51.00%
Dalian Ganjingzi SPD Rural Bank Co., Ltd.	Ganjingzi, Liaoning	Ganjingzi, Liaoning	Establishment	51.00%
Hancheng SPD Rural Bank Co., Ltd.	Hancheng Shaanxi	Hancheng Shaanxi	Establishment	51.00%
Jiangyin SPD Rural Bank Co., Ltd.	Jiangyin, Jiangsu	Jiangyin, Jiangsu	Establishment	51.00%
Pingyang SPD Rural Bank Co., Ltd.	Pingyang, Zhejiang	Pingyang, Zhejiang	Establishment	51.00%
Xinchang SPD Rural Bank Co., Ltd.	Xinchang, Zhejiang	Xinchang, Zhejiang	Establishment	51.00%
Yuanjiang SPD Rural Bank Co., Ltd.	Yuanjiang, Hunan	Yuanjiang, Hunan	Establishment	51.00%
Chaling SPD Rural Bank Co., Ltd.	Zhuzhou, Hunan	Zhuzhou, Hunan	Establishment	51.00%
Linchuan SPD Rural Bank Co., Ltd.	Fuzhou, Jiangxi	Fuzhou, Jiangxi	Establishment	51.00%
Linwu SPD Rural Bank Co., Ltd.	Chenzhou, Hunan	Chenzhou, Hunan	Establishment	51.00%
Hengnan SPD Rural Bank Co., Ltd.	Hengyang, Hunan	Hengyang, Hunan	Establishment	51.00%
Haerbin Hulan SPD Rural Bank Co., Ltd.	Haerbin, Heilongjiang	Haerbin, Heilongjiang	Establishment	51.00%
Gongzhuling SPD Rural Bank Co., Ltd.	Siping, Jilin	Siping, Jilin	Establishment	51.00%
Yuzhong SPD Rural Bank Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	Establishment	51.00%
Fumin SPD Rural Bank Co., Ltd.	Fumin, Yunnan	Fumin, Yunnan	Establishment	51.00%
Ningbo Haishu Rural Bank Co., Ltd.	Ningbo, Zhejiang	Ningbo, Zhejiang	Establishment	51.00%
Urumchi Midong SPD Rural Bank Co., Ltd.	Urumchi, Xinjiang	Urumchi, Xinjiang	Establishment	51.00%
Tianjin Baodi SPD Rural Bank Co., Ltd.	Baodi, Tianjin	Baodi, Tianjin	Establishment	49.00%
Chongqing Tongliang SPD Rural Bank Co., Ltd	Tongliang, Chongqing	Tongliang, Chongqing	Establishment	51.00%
Qianxinan yilong SPD Rural Bank Co., Ltd.	Yilong, Guizhou	Yilong, Guizhou	Establishment	51.00%
Fufeng SPD Rural Bank Co., Ltd.	Baoji, Shaanxi	Baoji, Shaanxi	Establishment	51.00%

In accordance with relevant conventions entered into by the Bank and other shareholders of Baodi Tianjin SPD Rural Bank Co., Ltd., the Bank owns 51% voting rights in Baodi Tianjin SPD Rural Bank Co., Ltd., and therefore is able to control Baodi Tianjin SPD Rural Bank Co., Ltd..

All subsidiaries are unlisted and consolidated in the Bank's consolidated financial statements.

1.2 Relevant information of major partly-owned subsidiaries

After individual assessment, the Group concluded that no subsidiary has minority interest that is material to the Group.

2 Interests in joint ventures and associates

2.1 General information of major joint ventures and associates

Name of the investee	Note	Place of main business	Place of registration	Strategic investment	Share-holding percentage (Direct)	Business nature
Joint ventures:						
AXA SPDB Investment Managers Co., ltd.	(a)	Shanghai	Shanghai	Y	51%	Financial industry
SPD Silicon Valley Bank Co., Ltd.		Shanghai	Shanghai	Y	50%	Financial industry

Equity investments above-mentioned are all accounted for by equity method.

(a) According to the Articles of Association of AXA SPDB Investment Managers Co., Ltd., resolutions on certain significant operations and finance decisions shall be approved by shareholders representing more than two-thirds voting shares. These resolutions are involved with the Company's strategic plans, investment plans, authorization on the Board of Directors for approval of annual financial budget and settlement plans, approval of profit appropriations and plans to cover accumulated losses, and approval of equity transfers and modification of the Articles of Association, etc. Although the Group owns 51% voting shares of AXA SPDB Investment Management Co., Ltd., it has to exercise influences over the company jointly with other major shareholders.

2.2 Key financial information of major joint ventures and associates

The Group's joint ventures and associates are all unlisted companies. The Group is of the view that these joint ventures and associates are not material to the Group in terms of their aggregated net profit and net assets.

VII Involvement with unconsolidated structured entities

1 Structured entities sponsored by third party institutions in which the Group holds an interest.

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include fund investment, capital trust and asset management plans, wealth management products, ABS and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

	The Group	
Carrying amount	31 December 2021	31 December 2020
Trading assets		
Fund investments	398,560	428,491
Capital trust and asset management plans	14,720	14,739
ABS	6,518	459
Wealth management products	10	-
Other investments	6,467	5,971
Debt investments		
Capital trust and asset management plans	433,573	360,756
ABS	127	280
Other debt investments		
Capital trust and asset management plans	9,198	44,424
ABS	5,134	7,818
Other equity investments		
Other equity investments	828	817

The maximum exposures to loss in the above capital trust and asset management plans are the amortised cost or fair value of the assets held by the Group at the reporting date. The maximum exposures to loss in the fund investment and other investments are the fair value of the assets held by the Group at the reporting date.

2 Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, trust plan, fund investment and ABS. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2021, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2021, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, were RMB 1,170,405 million (31 December 2020: RMB 1,345,500 million) respectively.

During the year of 2021, the amount of the average exposure of financing transactions through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB Nil (2020: RMB 59 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

As at 31 December 2021, the amount of assets held by the unconsolidated capital trust and asset management plans, which are sponsored by the Group, were RMB 387,901 million (31 December 2020: RMB 470,837million) respectively.

As at 31 December 2021, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 265,135 million (31 December 2020: RMB 369,633 million) respectively.

As at 31 December 2021, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 197,136 million (31 December 2020: RMB 108,034 million) respectively.

3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2021

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB 6,369 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB 65,445 million).

The total amount of ABS issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB 593 million (there was RMB 625 million ABS issued by the Group after 1 January 2020 but matured before 31 December 2020).

There was no trust plans or investments in funds issued by the Group after 1 January 2021 and expired before 31 December 2021.

In 2021, the income earned by the Group in the above-mentioned structured entities is not significant (2020: not significant).

VIII SEGMENT REPORTING

Top management of the Group reviews the performance of the Bank's branches and subsidiaries in different economic regions from geographic perspective. The branches and subsidiaries of the Bank mainly provide services to local customers domiciled in respective geographic areas, therefore operating segments are analysed principally based on the location of the assets. The operating segments' principal income are mainly from various commercial and investment banking services, including deposits and loans, discounted bills, trade finance, inter-bank money market and investments etc.

The Group's operating segments of different regions are set out as follows:

Headquarter:	Headquarters (including the direct institutions under headquarters and the branches)
Yangtze River Delta:	Branches in Shanghai, Jiangsu, Zhejiang, Anhui
Pearl River Delta and West Side of Taiwan Strait:	Branches in Guangdong and Fujian
Bohai Rim:	Branches in Beijing, Tianjin, Hebei and Shandong
Central China:	Branches in Shanxi, Henan, Hubei, Hunan, Jiangxi and Hainan
Western China:	Branches in Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongoli and Tibet
North-east China:	Branches in Liaoning, Jilin and Heilongjiang
Overseas and subsidiaries:	Overseas branches and domestic and overseas subsidiaries

	For the year from 1 January 2021 to 31 December 2021									
	Headquarter	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
I. Operating income	78,730	40,095	13,883	15,538	15,778	9,745	4,016	13,197	-	190,982
Interest income	125,008	86,125	32,841	40,724	29,620	27,998	9,274	9,131	(60,028)	300,693
Including:										
External interest income	112,699	65,294	24,582	26,575	29,458	25,039	8,413	8,633	-	300,693
Internal interest income	12,309	20,831	8,259	14,149	162	2,959	861	498	(60,028)	-
Interest expense	(83,766)	(49,695)	(21,428)	(26,759)	(13,817)	(18,583)	(5,546)	(5,169)	60,028	(164,735)
Including:										
External interest expense	(64,225)	(41,349)	(12,327)	(20,525)	(9,736)	(7,358)	(4,500)	(4,715)	-	(164,735)
Internal interest expense	(19,541)	(8,346)	(9,101)	(6,234)	(4,081)	(11,225)	(1,046)	(454)	60,028	-
Net fee and commission income	19,495	2,297	2,085	823	(424)	(166)	200	4,824	-	29,134
Investment income	13,363	1,127	279	500	337	264	48	1,379	-	17,297
Other income	15	38	24	8	10	81	2	678	-	856
Net gains arising from financial investments	3,485	388	29	56	15	129	18	384	-	4,504
Foreign exchange income	1,066	(264)	55	97	24	26	20	(211)	-	813
Other operating income	68	23	4	96	12	4	5	2,182	-	2,394
Impairment losses	(4)	56	(6)	(7)	1	(8)	(5)	(1)	-	26
II. Operating expense	(47,979)	(17,437)	(6,999)	(9,644)	(7,764)	(29,591)	(5,617)	(6,746)	-	(131,777)
Taxes and surcharges	(374)	(553)	(218)	(226)	(249)	(227)	(73)	(84)	-	(2,004)
General administrative expenses	(16,886)	(10,716)	(3,592)	(4,941)	(3,547)	(4,419)	(1,804)	(4,073)	-	(49,978)
Impairment on credit losses	(30,718)	(6,140)	(3,185)	(4,397)	(3,967)	(24,931)	(3,739)	(1,254)	-	(78,331)
Impairment losses on other assets	-	(4)	-	-	-	(9)	-	-	-	(13)
Other operating expense	(1)	(24)	(4)	(80)	(1)	(5)	(1)	(1,335)	-	(1,451)
III.Operating profit/(losses)	30,751	22,658	6,884	5,894	8,014	(19,846)	(1,601)	6,451	-	59,205
Add: Non-operating income	18	34	3	9	12	7	8	12	-	103
Less: Non-operating expenses	(96)	(20)	(48)	(17)	(6)	(12)	(4)	(34)	-	(237)
IV.Total segment profit/(losses) before tax	30,673	22,672	6,839	5,886	8,020	(19,851)	(1,597)	6,429	-	59,071

	31 December 2021									
	Headquarter	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	568,205	1,464,815	567,961	608,632	544,401	570,532	194,080	174,862	(2,534)	4,690,954
Total segment assets	3,994,931	2,305,152	698,256	984,964	571,081	602,101	236,826	380,013	(1,636,567)	8,136,757
Deposits from customers	142,215	1,882,049	575,921	777,332	447,288	368,530	182,747	88,819	(1,293)	4,463,608
Total segment liabilities	3,364,271	2,282,428	691,343	978,645	562,974	622,151	238,382	354,912	(1,636,567)	7,458,539
Segment net position of assets and liabilities	630,660	22,724	6,913	6,319	8,107	(20,050)	(1,556)	25,101	-	678,218

	For the year from 1 January 2020 to 31 December 2020									
	Headquarter	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
I. Operating income	86,386	38,009	12,736	15,574	15,573	9,724	4,858	13,524	-	196,384
Interest income	258,764	147,720	45,593	56,612	44,048	37,794	15,584	10,645	(321,775)	294,985
Including:										
External interest income	115,814	61,512	22,009	25,674	27,827	23,303	9,089	9,757	-	294,985
Internal interest income	142,950	86,208	23,584	30,938	16,221	14,491	6,495	888	(321,775)	-
Interest expense	(213,208)	(111,269)	(35,038)	(42,536)	(28,678)	(28,914)	(11,280)	(7,256)	321,775	(156,404)
Including:										
External interest expense	(62,735)	(38,580)	(11,846)	(17,395)	(8,652)	(6,556)	(4,117)	(6,523)	-	(156,404)
Internal interest expense	(150,473)	(72,689)	(23,192)	(25,141)	(20,026)	(22,358)	(7,163)	(733)	321,775	-
Net fee and commission income	24,608	1,176	1,703	955	(154)	516	529	4,613	-	33,946
Investment income	15,455	364	385	392	300	240	120	1,724	-	18,980
Other income	31	39	57	23	12	89	4	465	-	720
Net gains arising from financial investments	1,182	(8)	(20)	(12)	13	(19)	(119)	1,203	-	2,220
Foreign exchange income	(569)	(74)	52	81	19	19	18	239	-	(215)
Other operating income	139	34	6	62	14	5	9	1,891	-	2,160
Impairment losses	(16)	27	(2)	(3)	(1)	(6)	(7)	-	-	(8)
II. Operating expense	(50,112)	(15,613)	(4,118)	(8,749)	(12,956)	(27,343)	(3,329)	(7,428)	-	(129,648)
Taxes and surcharges	(552)	(531)	(193)	(221)	(238)	(214)	(81)	(87)	-	(2,117)
General administrative expenses	(15,998)	(10,081)	(3,209)	(4,632)	(3,515)	(3,854)	(1,766)	(3,647)	-	(46,702)
Impairment on credit losses	(33,555)	(4,969)	(711)	(3,858)	(9,200)	(23,265)	(1,480)	(2,509)	-	(79,547)
Impairment losses on other assets	-	3	-	(1)	-	(5)	-	(3)	-	(6)
Other operating expense	(7)	(35)	(5)	(37)	(3)	(5)	(2)	(1,182)	-	(1,276)
III.Operating profit/(losses)	36,274	22,396	8,618	6,825	2,617	(17,619)	1,529	6,096	-	66,736
Add: Non-operating income	35	35	4	15	11	12	8	17	-	137
Less: Non-operating expenses	(53)	(27)	(4)	(13)	(12)	(13)	(13)	(56)	-	(191)
IV.Total segment profit/(losses) before tax	36,256	22,404	8,618	6,827	2,616	(17,620)	1,524	6,057	-	66,682

	31 December 2020									
	Headquarter	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	622,092	1,365,333	491,756	562,422	519,030	525,264	179,284	165,749	(702)	4,430,228
Total segment assets	4,104,124	2,191,950	635,658	899,731	566,807	573,724	228,942	372,540	(1,623,258)	7,950,218
Deposits from customers	121,828	1,739,815	535,105	680,717	423,622	340,547	188,168	94,352	(1,747)	4,122,407
Total segment liabilities	3,505,525	2,169,235	626,911	892,700	564,088	591,531	227,416	350,253	(1,623,258)	7,304,401
Segment net position of assets and liabilities	598,599	22,715	8,747	7,031	2,719	(17,807)	1,526	22,287	-	645,817

IX CONTINGENCIES AND COMMITMENTS

1 Credit commitments

The Group's credit commitments are listed as follows:

	31 December 2021	31 December 2020
Bank acceptance bills	617,735	553,527
Letters of credit issued	192,522	176,517
Letters of guarantee issued	113,363	112,564
Credit cards and loan commitments	647,121	525,923
Total	1,570,741	1,368,531

2 Commitment on redemption of certificate treasury bonds

The Group is entrusted by the MOF to underwrite certificate treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest at the redemption date.

As at 31 December 2021, the outstanding principal value of the treasury bonds sold by the Group amounted to RMB 2,921 million (31 December 2020: RMB 4,025 million).

The MOF will not provide funding for the early redemption of these treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The management expects the amount of the bonds of which redemption is through the Group before the maturity dates will not be material.

3 Operating lease commitments

According to the lease contract terms, the minimum lease payment commitment of the Group is at the year end of 2020 as follows:

	31 December 2021
Within 1 year	2,908
1 to 2 years	2,262
2 to 3 years	1,719
Over 3 years	2,880
Total	9,769

As of December 31, 2021, as an operating lessee, the Group's potential future cash outflow not included in the measurement of lease liabilities is not significant

4 Capital commitments

As at 31 December 2021, the major capital commitments the Group had signed but not paid amounted to RMB 10,141 million (31 December 2020: RMB 3,897 million). Additionally, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had signed but not paid was RMB 5,331 million (31 December 2020: RMB 6,218 million).

As at 31 December 2021, the major capital commitments the Group had approved but not signed amounted to RMB 5,131 million (31 December 2020: RMB 3,595 million). Additionally, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had approved but not signed was RMB 506 million (31 December 2020: RMB 177 million).

5 Legal proceedings

As at 31 December 2021, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 148, respectively. The corresponding amount involved was about RMB 1,371 million, respectively. As a third party, the Group has been sued in 198 cases, involving an amount of about RMB 511 million. It is expected that there is little possibility of compensation(As at 31 December 2020, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 148, respectively. The corresponding amount involved was about RMB 1,746 million, respectively. The Group, as a third party, has 126 litigation cases that have not yet been adjudicated, involving an amount of about RMB 677 million, of which the estimated loss of RMB 520 million has been accrued for individual cases, and the estimated compensation possibility of other cases is not high.

X FIDUCIARY BUSINESSES

The Group provides safe-keeping and entrusted loan businesses to independent third party customers. The assets arising from these businesses are not recorded on the Group's balance sheet. As at 31 December 2021, the balance of entrusted loan business was RMB 76,427 million (As at 31 December 2020: RMB 107,147 million).

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1 Major shareholders holding more than 5% shares of the Bank

As at 31 December 2021 and 31 December 2020, major shareholders holding more than 5% ordinary shares of the Bank are as follows:

	Direct shareholding percentage	Major business
Shanghai International Group Co., Ltd.	21.57%	Investment Management
China Mobile Group Guangdong Company Limited	18.18%	Mobile and Communication
Funde Sino Life Insurance Co., Ltd. – Traditional	9.47%	Insurance Business
Funde Sino Life Insurance Co., Ltd. – Capital	6.01%	Insurance Business

2 Other shareholders who exert significant influence on the Bank

As of December 31, 2021 and 2020, other shareholders exerting significant influence on the Bank include：

	Major Business
China National Tobacco Corporation Jiangsu Branch	Tobacco products

3 Subsidiaries

For general information of the Group’s subsidiaries, please refer to Note VI.1 “Interests in other entities”.

4 Joint ventures and associates

For general information of the joint ventures and associates, please refer to Note VI.(2) “Interests in other entities”.

5 Other major related parties

Other related parties mainly include respective group companies of shareholders who hold 5% , other substantial shareholders and the group to which they belong that have significant influence on the Group, key management personnel of the Bank (including the directors, supervisors and senior executives) and their close family members, and the companies that are controlled or jointly controlled by these key management personnel and their close family members, or the companies in which key management personnel and their close family members serve as directors or senior executives.

Additionally, in accordance with relevant regulations, the Bank has reported to the Shanghai Stock Exchange on the exemption from disclosure of the transactions between the Bank and its independent directors and companies in which its external supervisors have part-time positions.

6 Transactions and balances with related parties

The amounts of material transactions between the Group and its related parties and related balances at the balance sheet date are summarised as follows:

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2021 to 31 December 2021 are listed below:							
Interest income	-	3	79	66	1	149	0.05%
Interest expense	(527)	(27)	(1,194)	(505)	(1)	(2,254)	1.37%
Net Fee and commission income	1	124	4	5	-	134	0.34%
Investment income	-	223	-	-	-	223	1.29%
Gains or losses from change of fair value	-	(1)	-	89	-	88	1.95%
Foreign exchange gains	-	(13)	-	14	-	1	0.12%
Operating expenses	(7)	-	(109)	-	-	(116)	0.22%
Other comprehensive income	-	-	-	(17)	-	(17)	1.47%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2021:							
Deposits with banks and other financial institutions	-	-	-	858	-	858	0.68%
Placements with banks and other financial institutions	-	-	426	701	-	1,127	0.37%
Loans and advances to customers	-	-	1,191	1,843	19	3,053	0.07%
Derivative financial assets	-	1	-	607	-	608	1.80%
Financial investments:							
- Trading assets	-	-	1	1,587	-	1,588	0.30%
- Debt investments	-	-	-	449	-	449	0.03%
- Other debt investments	-	-	-	1,572	-	1,572	0.33%
Long-term equity investments	-	2,819	-	-	-	2,819	100.00%
Deposits from banks and other financial institutions	-	(1,340)	(26,351)	(8,435)	-	(36,126)	3.91%
Placements from banks and other financial institutions	-	(223)	(1,803)	-	-	(2,026)	1.11%
Derivative financial liabilities	-	(13)	-	(391)	-	(404)	1.37%
Deposits from customers	(3,614)	(3,882)	(71,961)	(21,639)	(24)	(101,120)	2.27%
Significant off-balance item at 31 December 2021							
Letters of guarantee issued	-	-	51	-	-	51	0.04%
Credit cards commitments	-	-	-	-	12	12	0.01%
Fiduciary businesses	-	-	82	-	-	82	0.11%
Guarantees provided for credit business	-	-	2,224	2,749	-	4,973	0.18%
Bank acceptance bill	-	-	19	-	-	19	0.00%
Issuing wealth management products funds	-	-	-	2,006	-	2,006	0.17%

Note (1): As at 31 December 2021, key management of the Bank possessed a total number of 1,290,600 shares of common stock issued by the Bank.

Note (2): On 31 December 2021, Shanghai International Group Co., Ltd. and its subsidiaries hold a total of 8.67% of shares of convertible corporate bonds issued by the Bank and China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank.

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2020 to 31 December 2020 are listed below:							
Interest income	-	-	66	53	1	120	0.04%
Interest expense	(643)	(61)	(1,038)	(336)	(1)	(2,079)	1.33%
Net Fee and commission income	-	359	20	22	-	401	0.91%
Investment income	-	146	-	-	-	146	0.77%
Gains or losses from change of fair value	-	1	-	(51)	-	(50)	-2.25%
Foreign exchange gains	-	(1)	-	75	-	74	-34.42%
Operating expenses	(7)	-	(218)	-	-	(225)	0.48%
Other comprehensive income	-	-	-	1	-	1	-0.03%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2020:							
Placements with banks and other financial institutions	-	-	-	302	-	302	0.20%
Loans and advances to customers	-	-	2,356	1,316	-	3,672	1.57%
Derivative financial assets	-	-	848	1,099	19	1,966	0.04%
Financial investments:	-	1	-	471	-	472	0.74%
- Trading assets							
- Debt investments	-	-	-	446	-	446	0.08%
- Other debt investments	-	2,401	-	-	-	2,401	100.00%
Long-term equity investments	-	(1,353)	(40,125)	(6,016)	-	(47,494)	4.02%
Deposits from banks and other financial institutions	-	-	(3,009)	-	-	(3,009)	1.65%
Derivative financial liabilities	-	-	-	(357)	-	(357)	0.58%
Deposits from customers	(6,533)	(551)	(45,166)	(8,924)	(33)	(61,207)	1.48%
Significant off-balance item at 31 December 2020							
Letters of guarantee issued	-	-	15	-	-	15	0.01%
Credit cards commitments	-	-	-	-	15	15	0.01%
Fiduciary businesses	-	-	97	1,600	-	1,697	1.58%
Guarantees provided for credit business	-	2	2,371	963	-	3,336	0.12%
Issuing wealth management products funds	-	-	960	2,700	-	3,660	0.25%

Note (1): As at 31 December 2020, key management of the Bank possessed a total number of 855,100 shares of common stock issued by the Bank.

Note (2): On 31 December 2020, Shanghai International Group Co., Ltd. and its subsidiaries hold a 8.69% of the convertible corporate bonds issued by the Bank and China Mobile Guangdong Co., Ltd., directly holds 18.17% of the convertible corporate bonds issued by the Bank.

7 Related parties that are controlled by the Bank

Related parties that are controlled by the Bank are the subsidiaries of the Bank. Major transactions with these subsidiaries and their balances are eliminated in the consolidated financial statements, and are summarised as follows:

Balances at the year end:	31 December 2021	31 December 2020
Deposits with banks and other financial institutions	226	156
Placements with banks and other financial institutions	2,333	4,967
Loans and advances to customers	1,388	702
Deposits to and placements from banks and other financial institutions	8,473	10,155
Deposits from customers	1,293	1,747
Other current accounts	32	23

Transactions during the year:	2021	2020
Interest income from deposits from banks and other financial institutions	2	4
Interest income from placements from banks and other financial institutions	47	162
Interest income from loans and advances to customers	60	31
Interest expenses on deposits from banks and other financial institutions	265	250
Interest expenses on deposits from customers	12	68
Fee and commission income	54	66
Fee and commission expense	111	126
Other income	-	2

8 Compensation of key management personnel

Key management personnel are those people having authority and responsibility for planning, directing, and controlling the activities of the Group, either directly or indirectly, including directors, supervisors and senior executives.

Compensation of key management personnel for the respective periods (excluding the social insurance charges paid by the Bank) is as follows:

	2021	2020
Compensation of key management personnel	22	39

The Compensation of key management personnel are remuneration without social insurance paid in 2021 to the directors, supervisor and senior management of the Bank in past 12 months or will do so in the next 12 months according to the relevant contract arrangement.

9 Transactions with the annuity plan

In terms of the enterprise annuity funds established by the Group, in addition to the normal contribution, there has been no other related party transactions during the reporting period.

10 Major credit related transactions to related partiies

Major credit related transactions to related parities refer to transactions in which the amount of a single transaction between the Bank and a related party accounts for more than 1% of the latest audited net assets of the Bank, or the transaction balance between the Bank and a related party accounts for more than 5% of the latest audited net assets of the Bank.

In 2021, the newly added major related party credit in major credited related transations between the Bank and related parties outside the Group are as follows (excluding counterparties who have been applied for exemption from disclosure to the Shanghai Stock Exchange):

Related parties	Total credit limit to related parties and other companies in their group
Guotai Junan Securities Co., Ltd.	24,600
Shanghai Jiushi (Group) Co., Ltd.	24,500
Shenneng (Group) Co., LTD	20,000
Orient Securities Co., Ltd.	19,500
Shanghai International Group Co., Ltd.	15,500
Bailian Group Co., Ltd.	13,000

For details of major credit related transactions, please refer to the relevant resolutions of the board of directors publicly disclosed by the Bank.

XII FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its operating activities. The Group analyses, evaluates, accepts and manages certain degree of risks or risk portfolios. Managing financial risk is critical to the financial industry, and the inherent risks is an inevitable consequence of business operation. The Group's aim is therefore to strike an appropriate balance between risk and return and minimise potential adverse impact on the Group's financial performance.

The Group has designed a series of risk management policies to identify and analyse these risks, so as to set appropriate risk limits and formulate control procedures. It has also monitored the risks and their limits through reliable information systems.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk mainly consists of foreign currency risk, interest rate risk and commodity price risk.

The Board of Directors of the Bank is responsible for determining the Group's overall risk appetite. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk accordingly. After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for the implementation.

1 Credit risk

Credit risk is the risk that a customer or counterparty may fail or be unwilling to fulfil an obligation or commitment to the Group resulting in a financial loss. Credit risk is higher when counterparties are concentrated in single industry or geographic region, because various counterparties in the same industry or geographic region could be adversely affected by the same economic factors, which ultimately affect their repayment ability.

(1) Credit risk management

(i) Loans

The Group manages, restricts and controls the concentration of credit risk identified, especially with regards to concentration on singular counterparty, group, industry and region.

The Group continuously optimizes the credit risk structure by setting limits on the borrower, group of borrowers, geographical and industry segments. Concentration risks are monitored on ongoing basis and subject to an annual or more frequent review where necessary.

The Group manages the exposure to credit risk through regular analysis of borrowers' ability to repay principal and interest payments and amends the credit facilities where appropriate.

The Group has established relevant policies and various measures to mitigate credit risk. Obtaining collateral, pledged assets, guarantee deposits or guarantees from corporates or individuals has been one of the main strategies to control credit risk. The Group provides guidelines on the specific types of acceptable collateral or pledged assets, mainly include the following:

- Residential property and land tenure;
- Commercial assets, such as commercial property, inventory and accounts receivable;
- Financial instruments, such as bonds and equity shares.

Fair value of collaterals or pledged assets is generally assessed by professional evaluation agencies designated by the Group. When there are indications of impairment, the value of collaterals or pledged assets will be re-examined by the Group to assess whether the collaterals or pledged assets could adequately cover the credit risks associated with loans. To mitigate the credit risk, the Group has implemented loan-to-value ratio requirement based on type of collaterals or pledged assets. The main types of collaterals or pledged assets for corporate loans and retail loans and their corresponding maximum loan-to-value ratio are as follows:

Collaterals or pledged assets	Maximum loan-to-value ratio
Time deposits	90% - 100%
Government bonds	90% - 100%
Financial bonds	95%
Corporate bonds (including financial institutions)	80%
Right to collect fees	60% - 70%
Franchise right	50%
Commercial property and standard plant	60%
Residential property	70%
Land tenure	50% - 60%

Management assesses fair value of collaterals or pledged assets based on the latest available external valuation results, and adjusts the fair value with reference to experience, current market conditions and disposal expenses to be incurred.

For loans guaranteed by third parties, the Group evaluates the financial condition and credit record of guarantors and guarantor's ability to meet obligations.

(ii) Bonds and other bills

The Group manages the credit risk exposure of bonds and other bills through mechanisms include controlling the investment scale, setting access list of issuers, rating access, establishing post-investment management, etc. Generally, external credit rating of the issuer of foreign currency bonds at the time of purchase (by Standard & Poor's or equivalent rating agencies) should be at BBB- or above. Overseas investments in RMB bonds are limited to those issuers with external credit rating at BBB+ or above (by rating agencies identified by the PBOC). Rating of domestic middle to long term RMB bonds should be at AA or above and rating of short term RMB bonds, their credit ratings should be at A-1 (by rating agencies identified by the PBOC).

(iii) Other financial assets measured at amortized cost

Other financial assets measured at amortized cost mainly include fund trust and asset management plans. The Group has rating access system on the trust companies, security companies and fund companies with the set credit facility for ultimate investors of trust plans and asset management plans, and performs post-lending management periodically.

(iv) Inter-bank transactions

The Group reviews and manages the credit risk of individual financial institution on regularly basis and sets credit limit for individual bank or non-banking financial institution which has transactions with the Group.

(v) Derivative financial instruments

The Group strictly restricts transactions in derivative financial instruments. For corporate customers, the Group mitigates credit risk associated with derivative financial instruments by acquiring margin deposits.

(vi) Credit commitments

The primary purpose of credit commitments is to ensure that funds are available to customers as required. Letters to guarantee, bill acceptance and letters of credit are irrevocable commitment from the Group. The Group undertakes credit risks similar to loans and commits to pay third parties on behalf on customers or make payments in the event that customers cannot meet obligations to third parties. When the requested amount of credit commitment exceeds the original credit limit, margin deposits are required to mitigate the credit risk. The Group's potential credit exposure is equivalent to the total amount of credit commitments. In addition, cash outflows may occur when customers spend credit card and loan commitment granted by the Group in the future.

(vii) Trust plan

The main credit risk of the trust plan is the potential loss of fiduciary estate or inherent property when the counterparties fail, cannot or be unwilling to fulfil the contract commitments in the course of transactions. The Group strictly enforces the policy “pre-loan investigation, in-process review, post-lending inspection” over trust plan. In the design of the product trade structure, the Group introduces guarantee mechanism including financial institution credit, property mortgage, rights pledge to comprehensively manages risks through avoidance, prevention, dispersion, transfer and compensation, and disperses and transfers credit risks of financing entities to reduce risk exposure.

(2) Credit risk measurement

The Group has established a five-tier grading system of credit assets to measure and manage the quality of loans and advances to corporate and retail customers according to the “Guidelines for Risk-based Loan Classification” (the “Guideline”) (Yin Jian Fa [2007] No. 54). The Group’s five-tier grading system and the Guideline classify on-balance sheet credit assets into five categories: pass, special-mention, substandard, doubtful and loss, among which loans with the grading of substandard, doubtful and loss are regarded as non-performing loans.

The core definitions of the credit assets classification are as follows:

Pass: The borrower could fulfil the contractual obligation and there is not enough reason to suspect that the principal and interest cannot be repaid in full and on time.

Special Mention: The repayment might be adversely affected by some factors although the borrower currently has the capability to repay the principal and interest.

Substandard: The borrower's capability to repay is apparently in question and cannot repay the principal and interest in full depending on its operating income. Certain losses might occur even when guarantees are executed.

Doubtful: Cannot repay principal and interest in full and significant losses will occur even when guarantees are executed.

Loss: Principal and interest cannot be recovered or only a very small portion of them can be recovered after taking all possible measures or necessary legal procedures.

(3) ECL measurement

Pursuant to the new accounting standards, the Group divides the loss allowance for expected credit losses on financial assets into three stages:

Stage 1 (no significant increase in credit risk since initial recognition): measure the loss at an amount equal to 12-month ECL;

Stage 2 (significant increase in credit risk since initial recognition; and

Stage 3 (credit- impaired assets): measure the loss allowance at an amount equal to the lifetime ECL.

The Group has developed the impairment model to calculate ECL in accordance with the new accounting standards. A top-down development method was adopted to establish a logistic regression model of risk parameters and macroeconomic indicators such as gross domestic product "GDP" and consumer price index "CPI". The Group periodically forecasts three kind of macroeconomic scenarios (optimistic, basic and pessimistic) and measures ECL based on different scenarios.

<u>Credit risk grading</u>

The Group uses internal credit risk gradings to reflect assessment of default probability for individual counterparties and applies different internal rating models for different categories of counterparties. Borrowers' and specific loan related information collected during loan application (such as disposable income, guarantee level for retail exposures; and corporate customers' revenue and industry) is incorporated into rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models also include expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure to compensate considerations that may not be captured as part of the other data inputs into the model.

The Group does not have financial assets identified as "low risk" and corresponding credit risk management in accordance with new financial instruments standards.

Stage division

Significant increase in credit risk ("SICR")

The Group assesses on each balance sheet date whether the credit risk of the relevant financial assets has increased significantly since initial recognition. When considering the ECL stage of financial assets, the Group considering all reasonable and supportable information, including that which is forward-looking. The main factors to be considered are regulatory and operational environment, internal and external credit rating, solvency, operational capability, loan contract terms, repayment behaviour, etc.

The Group considers that there has been a significant increase in credit risk of financial instrument when one or more of the following quantitative, qualitative or upper limits criteria have been met:

Quantitative criteria:

The Group determines whether there has been a significant increase in credit risk since initial recognition by considering whether the credit risk rating has downgraded to a certain level, i.e. credit risk rating of counterparty for corporate loans and financial investments has downgraded to B or below since initial recognition as at the reporting date, or whether the probability of default ("PD") has increased significantly since initial recognition, i.e. for retail loans, the counterparty's PD is 8-10 times of initial PD as at the reporting date.

Qualitative criteria:

For corporate loans and financial investments, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operational results of the borrower
- Early signs of cashflow/liquidity problems such as delay in repayment of payables/loans

Upper limit:

If the borrower fails to make payment for more than 30 days after contractual payment date.

According to the relevant policies from regulators, the Group has carefully evaluated the deferred loan payment applications for whom are influenced by COVID-19 in order to offer temporary convenience for qualified borrowers. Meanwhile, the Group has analysed if the credit risks of the relevant financial assets will increase after the borrowers received their first approval, based on the policy of deferred loan payment, the repayment ability of borrowers, and other relevant factors.

Default and credit-impaired

When a financial asset is impaired, the Group defines it as in default. The Group defines a financial asset as credit impaired when it meets one or more of the following criteria:
Qualitative criteria:

The borrower meets "capability to repay is apparently in question" criteria, which indicates the borrower is in significant financial difficulty and examples include:

- The issuer or borrower is in significant financial difficulties
- The borrower has breached financial contract(s), such as past due of interest or principal repayments
- Concessions have been made by the lender relating to the borrower's financial difficulty with consideration of economy and contract
- The borrower is likely to head towards bankruptcy or other debts restructuring
- Issuer or borrower's financial difficulties lead to disappearance of active market for financial assets
- Financial assets are purchased or originated at substantial discount that reflects the incurred credit losses

Upper limit:

If the borrower fails to make payment for more than 90 days after contractual payment date.

The criteria above have been applied to all financial instruments held by the Group and are consistent with internal credit risk management purposes. The default definition has been consistently applied to establish models for the PD, Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's ECL measurement.

<u>Explanation of parameters, assumptions and estimation techniques of ECL model</u>

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the PD, EAD and LGD, and the relevant definitions are as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD) or the remaining lifetime (Lifetime PD) of the obligation.
- The EAD is the amounts the Group expects to be repaid at the time of default.
- LGD is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by projecting the PD, LGD and EAD for individual future exposure, which effectively calculates the ECL for each future month.

The Lifetime PD is based on expiry information derived from 12M PD. Maturity analysis covers the change of loan default situation from initial recognition to maturity. Maturity portfolio is based on historical observed data with the assumption of same portfolio and identical credit rating assets. The above analysis is supported by historical data.

The Group determines LGD based on factors affecting recovery after default, which vary by product type.

Forward-looking economic information should be considered in determining the 12M and lifetime ECL.

There have been no significant changes in estimation techniques or significant assumptions during the reporting period.

Forward-looking information incorporated in the ECL models

Both the assessment of SICR and the calculation of ECL incorporate forward-looking information. The Group identifies the key economic indicators impacting credit risk and ECL for each portfolio through historical data analysis.

The Group has selected a series of macroeconomic indicators based on industry best practices and the Group's internal experts' judgement, which includes GDP, industrial added value growth rate and CPI growth rate, etc. to establish statistical relationship between actual PD and macro indicators for each model exposure, and calculate forward-looking PD by using forecasted economic indicators.

In addition to the base economic scenario, the Group has also set up other scenarios based on analysis of each major product type. The number and attributes of scenarios are reassessed at each reporting date. As at 31 December 2021 and 31 December 2020, the scenario weightings are determined by combination of statistical analysis and expert judgement, taking into account of the range of possible outcomes represented by scenarios. The Group adopts the base and lifetime PD with scenario weightings, along with qualitative and upper limit criteria to determine whether the credit risk has increased significantly. The determination of financial instrument stage indicates the measurement of the loss allowance at an amount equal to the 12-month or lifetime ECL accordingly. The Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

On 31 December 2020, the Group has taken the macroeconomic under the impact of COVID-19 into account when developing forward-looking macroeconomic indicators and economic scenario weighting.

The Group considers these projections have represented the best estimate of the possible outcomes and analyses the non-linearities and asymmetries within the Group's different portfolios to determine that selected scenarios adequately represent scenarios that might occur. Similar to other economic projections, there are inherent uncertainties regarding estimates of projected values and likelihood of occurrence, thus substantial differences may occur between actual results and projections.

Combination method for evaluation of expected credit risk

When analysing the relevance of ECL with macroeconomic indicators, the Group has classified the assets with similar credit risk characteristics into the same portfolio. The Group has obtained sufficient information to ensure the statistical reliability for the portfolio classification. Where sufficient information is not available internally, the Group establishes the model with reference to internal or external supplementary data. The characteristics and any supplementary data used to determine portfolio classification are outlined below:

Corporate loans and financial investments

- Industry
- Collateral type

Retail loans

- Product type (i.e. mortgage loans, consumer loan and credit card)
- Repayment type
- Utilisation percentage range
- The range of mortgage rate (loan balance / collateral value)

(4) Maximum exposure to credit risk

Financial assets and guarantee commitment subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The book value of financial assets below represents the Group's maximum exposure to credit risk on these assets.

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	415,526	-	-	415,526
Deposits with banks and other financial institutions	125,836	-	-	125,836
Placements with banks and other financial institutions	307,945	-	-	307,945
Financial assets purchased under resale agreements	117	-	-	117
Loans and advances to customers measured at:				
- Amortized cost	4,034,450	99,520	26,643	4,160,613
- FVOCI	480,663	3,258	271	484,192
Financial investments				
- Debt investments	1,226,771	27,295	52,122	1,306,188
- Other debt investments	476,860	2,077	682	479,619
Other financial assets	88,197	109	3,311	91,617
Total	7,156,365	132,259	83,029	7,371,653

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	483,732	-	-	483,732
Deposits with banks and other financial institutions	151,796	-	-	151,796
Placements with banks and other financial institutions	234,131	-	-	234,131
Financial assets purchased under resale agreements	36,526	-	-	36,526
Loans and advances to customers measured at:				
- Amortized cost	3,863,316	101,305	24,819	3,989,440
- FVOCI	421,642	429	437	422,508
Financial investments				
- Debt investments	1,135,691	4,372	29,714	1,169,777
- Other debt investments	576,039	745	1,002	577,786
Other financial assets	79,696	357	1,043	81,096
Total	6,982,569	107,208	57,015	7,146,792

	31 December 2021 Maximum exposure to credit risk	31 December 2020 Maximum exposure to credit risk
Commitment and guarantee		
Bank acceptance notes	615,478	551,226
Letters of credit issued	192,254	176,235
Letters of guarantee issued	113,132	112,372
Credit cards and other commitments	643,603	523,418
Total	1,564,467	1,363,251

(5) Credit-impaired loans and advances to customers

The Group closely monitors collateral held for financial assets considered to be credit-impaired, because the Group is more likely to confiscate these collateral to reduce potential credit losses comparing to other collaterals. As at 31 December 2021, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 88,671 million (31 December 2020: RMB 90,497 million), in which the loans covered by collaterals are amounting to RMB 39,922 million (31 December 2020: RMB 40,598 million).

(6) Bonds and other investments

The table below analyses the Group's investment securities by external rating agencies, including S&P or equivalent credit agencies identified by the PBOC.

	31 December 2021			
Investments denominated in RMB	Trading assets	Debt investments	Other debt investments	Total
Medium or long term				
AAA	20,194	512,174	145,954	678,322
AA+ to AA-	3,237	3,667	7,431	14,335
A+ to A-	279	11,248	4,147	15,674
Below A-	-	155	1,450	1,605
Short term				
AAA	18,084	16,775	-	34,859
AA+ to AA-	2,143	254	212	2,609
A or below A	-	3,080	-	3,080
Unrated-Bonds	64,058	749,941	243,392	1,057,391
	107,995	1,297,294	402,586	1,807,875

	31 December 2021			
Investments denominated in foreign currencies	Trading assets	Debt investments	Other debt investments	Total
AAA	191	-	4,119	4,310
AA+ to AA-	40	-	2,673	2,713
A and below A	3,061	7,038	39,312	49,411
Unrated-Bonds	1,026	1,856	30,929	33,811
	4,318	8,894	77,033	90,245

	31 December 2020			
Investments denominated in RMB	Trading assets	Debt investments	Other debt investments	Total
Medium or long term				
AAA	11,203	210,615	140,739	362,557
AA+ to AA-	255	297	5,426	5,978
A+ to A-	-	-	56	56
C	-	211	-	211
Short term				
A-1	-	-	103	103
Unrated-Bonds	95,524	952,295	356,528	1,404,347
	106,982	1,163,418	502,852	1,773,252

	31 December 2020			
Investments denominated in foreign currencies	Trading assets	Debt investments	Other debt investments	Total
AAA	74	-	2,942	3,016
AA	59	-	738	797
A and below A	582	1,588	42,723	44,893
Unrated-Bonds	1,825	4,771	28,531	35,127
	2,540	6,359	74,934	83,833

2 Market risk

Market risk is the risk of losses of on and off-balance sheet businesses arising from adverse movements in market prices, such as interest rates, exchange rates, price of stock and commodity. Both the Group's trading book and banking book is exposed to market risk, which mainly consists of interest rate risk, currency risk and commodity price risk. The Group considers the exposure to the commodity price risk to be insignificant.

The Board of Directors of the Bank is ultimately responsible for monitoring the market risk management and ensuring the Group can effectively identify, measure, monitor and control the market risk associated with the Group's business activities. Under the authorisation of the Board of Directors, the senior management of the Group is responsible for establishing the group-wide market risk management system, organisational structure with well-defined roles and responsibilities, authorisation structures and accountability mechanism. Relevant departments of headquarters are responsible for carrying out detailed market risk management activities including policies and procedures, measurement approaches and models, analyses and reporting and monitoring of various limits in order to timely and accurately identify, measure, monitor and control the market risk exposures in respective business areas and reporting to the senior management and Board of Directors on timely basis.

Meanwhile, the established internal controls and independent inspections are integrated in the group-wide market risk management system. Relevant business units are responsible for executing the daily control activities. A three-line defence system includes the business units as the first line defence, the market risk management and compliance department as the second line defence and the review department as the third line defence.

The Group measures market risk based on predetermined benchmarks. The major measurement approaches include stress testing, analysis on value at risk, back testing, gap analysis and sensitivity analysis etc. The market risk of new products and businesses should be identified before these new products and businesses are launched according to relevant policies.

(1) Currency risk

The Group mainly operates in the PRC and its main business activities are conducted in RMB. Majority of its foreign currency business are conducted in USD. The table below summarises the Group's exposure to currency risk. Included in the table are the Group's financial assets and liabilities at carrying amounts in RMB, categorised by original currency.

	31 December 2021				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	372,580	44,434	3,735	247	420,996
Deposits with banks and other financial institutions	36,203	65,074	3,911	20,648	125,836
Placements with banks and other financial institutions	211,009	90,262	6,187	487	307,945
Derivative financial assets	32,764	852	2	155	33,773
Financial assets purchased under resale agreements	16	101	-	-	117
Loans and advances to customers	4,504,671	141,074	26,517	18,692	4,690,954
Financial investments:					
- Trading assets	515,612	10,415	-	7	526,034
- Debt investments	1,297,294	8,685	-	209	1,306,188
- Other debt investments	402,586	69,629	4,102	3,302	479,619
- Other equity investments	7,082	-	-	-	7,082
Other financial assets	37,637	44,025	5,954	4,001	91,617
Total financial assets	7,417,454	474,551	50,408	47,748	7,990,161
Borrowing from central bank	236,317	-	-	-	236,317
Deposits from banks and other financial institutions	896,299	9,578	4,218	13,983	924,078
Placements from banks and other financial institutions	93,957	75,857	11,242	1,641	182,697
Financial liabilities at profit or loss	31,089	191	-	-	31,280
Derivative financial liabilities	28,428	1,072	3	25	29,528
Financial assets sold under repurchase agreement	162,260	11,959	-	-	174,219
Deposits from customers	4,193,282	242,273	17,889	10,164	4,463,608
Debt securities issued	1,271,348	42,187	3,585	1	1,317,121
Lease liabilities	7,488	-	900	63	8,451
Other financial liabilities	30,421	1,097	364	462	32,344
Total financial liabilities	6,950,889	384,214	38,201	26,339	7,399,643
Net position of financial instruments	466,565	90,337	12,207	21,409	590,518
Currency derivatives	103,683	(86,027)	(5,285)	(10,221)	2,150
Credit commitments	1,510,578	44,642	697	8,550	1,564,467

	31 December 2020				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	447,135	38,896	2,759	298	489,088
Deposits with banks and other financial institutions	61,729	66,191	8,977	14,899	151,796
Placements with banks and other financial institutions	161,749	63,313	7,719	1,350	234,131
Derivative financial assets	63,271	277	4	37	63,589
Financial assets purchased under resale agreements	36,502	24	-	-	36,526
Loans and advances to customers	4,261,041	129,477	25,326	14,384	4,430,228
Financial investments:					
- Trading assets	539,618	9,531	-	-	549,149
- Debt investments	1,163,418	6,224	-	135	1,169,777
- Other debt investments	502,852	66,770	4,666	3,498	577,786
- Other equity investments	5,835	-	-	-	5,835
Other financial assets	33,962	40,692	3,466	2,976	81,096
Total financial assets	7,277,112	421,395	52,917	37,577	7,789,001
Borrowing from central bank	274,346	-	-	-	274,346
Deposits from banks and other financial institutions	1,147,911	15,220	9,432	10,327	1,182,890
Placements from banks and other financial institutions	91,425	76,554	11,596	3,107	182,682
Financial liabilities at profit or loss	15,226	831	-	-	16,057
Derivative financial liabilities	59,832	1,196	61	57	61,146
Financial assets sold under repurchase agreement	221,122	11,224	-	-	232,346
Deposits from customers	3,868,117	227,133	19,312	7,845	4,122,407
Debt securities issued	1,102,174	34,464	3,774	241	1,140,653
Other financial liabilities	33,323	5,208	124	234	38,889
Total financial liabilities	6,813,476	371,830	44,299	21,811	7,251,416
Net position of financial instruments	463,636	49,565	8,618	15,766	537,585
Currency derivatives	40,562	(39,727)	6,546	(4,052)	3,329
Credit commitments	1,300,317	51,547	5,097	6,290	1,363,251

The Group measures the possible effect on net profit arising from foreign exchange rate fluctuation using sensitivity analysis. The table below shows the result of sensitivity analysis of the balance sheet date.

Net profit	31 December 2021		31 December 2020	
	Exchange rate fluctuation %		Exchange rate fluctuation %	
(Decrease)/increase	-1%	1%	-1%	1%
USD against RMB	(32)	32	(74)	74
Other currencies against RMB	(136)	136	(202)	202

The above sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities, and calculated the impact on the net profit from changes in exchange rates of other foreign currencies against RMB. The assumptions are shown as below:

- Exchange rate sensitivity represents the exchange gain or loss resulting from the 1% change in daily closing exchange rates (middle) on the financial reporting date;
- Changes in exchange rates of other foreign currencies means the exchange rates of other foreign currencies against RMB are fluctuating simultaneously and in the same direction;
- Foreign currency exposure contains spot exchange exposure and forward exchange exposure. Based on the above assumption, Group net profit may differ from the sensitivity analysis results.

(2) Interest rate risk

Interest rate risk is the risk of losses in overall earnings and economic value arising from adverse movements in factors such as interest rates, term structure, etc., including interest rate risk from bank book and trading book.

Interest rate risk of bank book refers to the risk that adverse changes in interest rate level and term structure will lead to loss of economic value and overall income of bank book.The group has established a sound interest rate risk management system for bank books. The board of directors of the bank is responsible for approving the interest rate risk preference and important policies and procedures of bank books, and assumes the ultimate responsibility for the interest rate risk management of bank books;The senior management of the Bank is responsible for developing the appropriate management mechanism for interest rate risk in the banking book, the organizational structure, systems and processes in accordance with the risk appetites for interest rate risk in the banking book approved by the Board of Directors to ensure the achievement of management objectives; The Asset and Liability Management Department of the Head Office of the Bank is responsible for taking the lead in the organization and implementation on the identification, measurement, monitoring, control and mitigation management of daily risks; The Audit Department of the Head Office of the Bank is responsible for performing the internal audit on interest rate risk in the banking book independently.

The Group mainly uses appropriate measurement methods and tools (such as repricing gap analysis, duration analysis, sensitivity analysis and scenario simulation) to measure and monitor the interest rate risk. During the reporting period, the Group adhered to the neutral and prudent risk appetite for interest rate risk in the bank book and risk strategy management, enhanced the research and judgment on domestic and foreign macro policies as well as monetary policies, carried out dynamic monitoring and forward-looking risk management based on interest rate liberalization, trends of interest rate curve reform; During the reporting period, the Group guided the adjustments of business scale and term structure based on risk management strategies as well as asset and liability business objectives through asset and liability active configuration tools and price tools, maintained the interest rate risk indicators within the risk appetite of the Board of Directors and kept sustainable operation.

The Group paid close attention to the regulatory policies of international benchmark interest rate reform and the dynamics of the industry, actively carried out the conversion work, and the relevant work was carried out in an orderly manner.

The table below summarises the Group’s exposures to interest rate risk. The table presents the Group’s assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	31 December 2021						
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	399,621	-	-	-	-	21,375	420,996
Deposits with banks and other financial institutions	90,729	12,663	22,118	-	-	326	125,836
Placements with banks and other financial institutions	44,403	93,275	157,748	8,785	-	3,734	307,945
Derivative financial assets	-	-	-	-	-	33,773	33,773
Financial assets purchased under resale agreements	16	101	-	-	-	-	117
Loans and advances to customers	1,138,363	697,229	1,860,021	901,167	79,173	15,001	4,690,954
Financial investments:							
Trading assets	11,201	10,781	25,068	31,413	15,441	432,130	526,034
Debt investments	73,483	77,900	144,072	533,147	460,092	17,494	1,306,188
Other debt investments	14,986	22,830	54,079	305,803	75,431	6,490	479,619
Other equity investments	-	-	-	-	-	7,082	7,082
Other financial assets	4,067	-	13,744	-	-	73,806	91,617
Total financial assets	1,776,869	914,779	2,276,850	1,780,315	630,137	611,211	7,990,161
Liabilities							
Borrowing from central bank	9,907	26,460	197,631	-	-	2,319	236,317
Deposits from banks and other financial institutions	588,700	181,481	152,070	-	-	1,827	924,078
Placements from banks and other financial institutions	93,041	38,687	41,104	8,911	612	342	182,697
Trading liabilities	-	-	-	-	-	31,280	31,280
Derivative financial liabilities	-	-	-	-	-	29,528	29,528
Financial assets sold under repurchase agreements	132,596	24,699	16,891	-	-	33	174,219
Deposits from customers	2,115,070	1,044,476	561,461	682,044	5	60,552	4,463,608
Debt securities issued	54,222	203,624	700,667	220,693	132,063	5,852	1,317,121
Lease liabilities	264	526	2,104	5,076	481	-	8,451
Other financial liabilities	562	150	1,263	-	-	30,369	32,344
Total financial liabilities	2,994,362	1,520,103	1,673,191	916,724	133,161	162,102	7,399,643
Total interest repricing gap	(1,217,493)	(605,324)	603,659	863,591	496,976	449,109	590,518

	31 December 2020						
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	475,170	-	-	-	-	13,918	489,088
Deposits with banks and other financial institutions	109,527	8,828	32,982	-	-	459	151,796
Placements with banks and other financial institutions	35,738	68,293	105,937	22,210	-	1,953	234,131
Derivative financial assets	-	-	-	-	-	63,589	63,589
Financial assets purchased under resale agreements	36,495	24	-	-	-	7	36,526
Loans and advances to customers	1,210,020	453,250	1,367,398	1,178,360	205,829	15,371	4,430,228
Financial investments:							
Trading assets	17,690	11,188	19,821	19,292	12,500	468,658	549,149
Debt investments	68,004	78,127	126,051	510,316	371,286	15,993	1,169,777
Other debt investments	23,911	23,786	74,142	315,058	133,078	7,811	577,786
Other equity investments	-	-	-	-	-	5,835	5,835
Other financial assets	3,086	-	9,964	-	-	68,046	81,096
Total financial assets	1,979,641	643,496	1,736,295	2,045,236	722,693	661,640	7,789,001
Liabilities							
Borrowing from central bank	23,503	25,811	221,968	-	-	3,064	274,346
Deposits from banks and other financial institutions	764,606	215,349	200,003	-	-	2,932	1,182,890
Placements from banks and other financial institutions	98,718	43,694	33,688	5,944	225	413	182,682
Trading liabilities	-	-	-	-	-	16,057	16,057
Derivative financial liabilities	-	-	-	-	-	61,146	61,146
Financial assets sold under repurchase agreements	186,309	30,578	15,396	-	-	63	232,346
Deposits from customers	1,947,776	996,377	494,734	637,591	6	45,923	4,122,407
Debt securities issued	88,462	283,982	448,189	164,676	150,378	4,966	1,140,653
Other financial liabilities	4,866	1,144	893	-	-	31,986	38,889
Total financial liabilities	3,114,240	1,596,935	1,414,871	808,211	150,609	166,550	7,251,416
Total interest repricing gap	(1,134,599)	(953,439)	321,424	1,237,025	572,084	495,090	537,585

Note: Financial assets listed as within 1 month include overdue amount at 31 December 2021 and 31 December 2020 (less provision for impairment).

The Group performs sensitivity analysis to measure the potential impact of changes in interest rate on net profit and equity. The table below shows the results of the sensitivity analysis on the balance sheet date.

	31 December 2021		31 December 2020	
	Interest rate fluctuation (Basis points)		Interest rate fluctuation (Basis points)	
	-100	+100	-100	+100
(Decrease)/increase in net profit	(3,987)	3,987	(3,885)	3,885
Increase/(decrease) in other comprehensive income under equity	8,323	(7,896)	12,345	(11,554)

The above sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's assets and liabilities within the one-year period.
Based on the following assumptions:

- Except for current deposits, assets and liabilities, whose maturity dates are within three months or more than three months but will be repricing within one year, are assumed to be re-priced in the middle of each specified period;
- The interest rates of current deposits and statutory deposit reserves with central bank remain unchanged;
- The yield curve moves in parallel with interest rate;
- There are no changes in assets and liabilities at year end.

  Based on the assumptions, the actual change in net profit may be different from the sensitivity analysis results.

Based on the assumption of the parallel movement of the yield curve along with interest rate change, the sensitivity analysis of the equity is derived by remeasuring the fair value of debt instruments at fair value through other comprehensive income as a result of changes in interest rate with a certain percentage.

3 Liquidity risk

The Group's liquidity risk management is intended to meet the obligations to serve customers for withdrawal and payment, to achieve the balance between the total amount and structure of assets and liabilities; to reduce the liquidity cost, avoid liquidity crisis of the Group, and to effectively respond to systematic liquidity risk by active management.

The Group has established a well-developed liquidity risk management system. The Board of Directors of the Bank is responsible for reviewing and approving the liquidity risk management system, risk preference, risk limit and contingency plans, and assumes the ultimate responsibility for liquidity risk management; the Board of Supervisors of the Bank is responsible for supervising the performance of liquidity risk management of the Board of Directors and the senior management; the Board of Directors of the Bank authorises the senior management to perform liquidity risk management duties within the Bank; the responsibilities of the Asset-Liability Management Committee are to review liquidity risk management policies, risk limits, stress testing plans and contingency plans, organise functional departments to conduct stress testing, and review stress test reports, etc. Asset-Liability Management Department of the Headquarters of the Bank is responsible for drafting liquidity risk management policies and procedures at a group level and leading specific management of the liquidity risk management, such as qualitative and quantitative analysis. Audit Department of the the Headquarters of the Bank is responsible for the internal audit on liquidity risks. The Group has a prudent liquidity risk preference which complies with the regulatory requirements and management requirements of the Group.

The Group's liquidity risk management system comprises mainly regular and contingent management system which includes 10 components, such as policies and strategies, management framework, regulations, management tools, daily operation, stress tests, system construction, risk monitoring, risk report, and emergency management and drilling.

Daily management of liquidity risk. During the reporting period, the Group kept layered beforehand balanced management of liquidity risk in line with the principle of aggregate balance and structural equilibrium; it carries out real-time monitoring on daily position accounts in local and foreign currencies, and made centralised allocation of positions in local and foreign currencies; it established a beforehand declaration system for large-amount positions, and established a monitoring mechanism for total liquidity level; it prepared a cash flow gap table on a daily basis, used the gap management method to predit cash flow gap changes in future assets and liabilities's on and off-balance sheet items, and regularly (irregularly in case of major events) conducted liquidity risk assessment for assets and liabilities' on and off-balance sheet items; the Group also considered its own liquidity risk policies and risk limit requirements to make active financing arrangement and make adjustments to asset and liability portfolios, enabling the total volume, structure and speed of the Group's business development to effectively meet the requirements for appropriate liqudty management goals.

The table below presents the undiscounted cash flows of the Group under contracts of non-derivative financial assets and liabilities by remaining contractual maturities.

	31 December 2021							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assests								
Cash and deposits with central bank	81,023	-	-	-	-	-	339,973	420,996
Deposits with banks and other financial institutions	76,897	26,799	22,499	-	-	-	-	126,195
Placements with banks and other financial institutions	-	139,461	163,117	9,448	-	-	-	312,026
Financial assets purchased under resale agreements	-	118	-	-	-	-	-	118
Loans and advances to customers	-	1,104,947	1,511,575	1,355,997	1,364,268	58,743	-	5,395,530
Financial investments:								
Trading assets	424,248	20,285	26,513	34,230	16,904	2,416	7,882	532,478
Debt investments	-	118,298	178,310	677,948	544,344	65,286	-	1,584,186
Other debt investments	-	34,245	66,006	341,997	81,907	988	-	525,143
Other equity investments	-	-	-	-	-	-	7,082	7,082
Other financial assets	74,364	-	-	-	-	7,657	14,355	96,376
Total financial assets	656,532	1,444,153	1,968,020	2,419,620	2,007,423	135,090	369,292	9,000,130
Liabilities								
Borrowing from central bank	-	37,130	201,493	-	-	-	-	238,623
Deposits from banks and other financial institutions	523,188	249,419	154,824	-	-	-	-	927,431
Placements from banks and other financial institutions	-	131,988	41,314	8,914	612	-	-	182,828
Trading liabilities	29,585	192	-	427	1,076	-	-	31,280
Financial assets sold under repurchase agreements	-	157,467	17,070	-	-	-	-	174,537
Deposits from customers	2,122,296	1,079,938	589,597	786,823	6	-	-	4,578,660
Debt securities issued	-	263,560	719,460	277,221	153,747	-	-	1,413,988
Lease liabilities	-	793	2,152	5,576	634	-	-	9,155
Other financial liabilities	27,254	1,423	1,764	1,339	602	-	-	32,382
Total financial liabilities	2,702,323	1,921,910	1,727,674	1,080,300	156,677	-	-	7,588,884
Net liquidity	(2,045,791)	(477,757)	240,346	1,339,320	1,850,746	135,090	369,292	1,411,246
Derivative financial instruments								
- Inflow	-	134,074	103,023	50,719	67	-	-	287,883
- Outflow	-	133,046	101,232	50,093	137	-	-	284,508
Net value of derivative financial instruments	-	1,028	1,791	626	(70)	-	-	3,375
Credit commitments	621,503	324,264	571,643	50,419	2,912	-	-	1,570,741

	31 December 2020							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets								
Cash and deposits with central bank	149,819	-	-	-	-	-	339,269	489,088
Deposits with banks and other financial institutions	103,841	14,792	33,773	-	-	-	-	152,406
Placements with banks and other financial institutions	-	99,650	114,072	23,308	-	-	-	237,030
Financial assets purchased under resale agreements	-	36,531	-	-	-	-	-	36,531
Loans and advances to customers	-	1,086,568	1,583,741	1,299,419	1,370,669	52,444	-	5,392,841
Financial investments:								
Trading assets	461,322	26,990	21,519	40,799	16,723	4,839	7,336	579,528
Debt investments	-	135,900	153,363	614,784	449,321	42,730	-	1,396,098
Other debt investments	-	43,087	89,221	364,340	151,446	1,005	-	649,099
Other equity investments	-	-	-	-	-	-	5,835	5,835
Other financial assets	72,674	-	-	-	-	5,825	10,480	88,979
Total financial assets	787,656	1,443,518	1,995,689	2,342,650	1,988,159	106,843	362,920	9,027,435
Liabilities								
Borrowing from central bank	-	50,915	228,531	-	-	-	-	279,446
Deposits from banks and other financial institutions	631,962	351,173	204,308	-	-	-	-	1,187,443
Placements from banks and other financial institutions	-	143,193	33,981	6,349	279	-	-	183,802
Trading liabilities	15,032	-	63	316	646	-	-	16,057
Financial assets sold under repurchase agreements	-	217,117	15,501	-	-	-	-	232,618
Deposits from customers	1,953,776	1,025,276	517,063	732,241	7	-	-	4,228,363
Debt securities issued	-	371,987	470,172	203,787	179,193	-	-	1,225,139
Other financial liabilities	29,895	5,103	1,197	2,156	573	-	-	38,924
Total financial liabilities	2,630,665	2,164,764	1,470,816	944,849	180,698	-	-	7,391,792
Net liquidity	(1,843,009)	(721,246)	524,873	1,397,801	1,807,461	106,843	362,920	1,635,643
Derivative financial instruments								
- Inflow	-	200,410	131,818	47,467	42	-	-	379,737
- Outflow	-	199,590	130,508	47,240	156	-	-	377,494
Net value of derivative financial instruments	-	820	1,310	227	(114)	-	-	2,243
Credit commitments	471,703	311,621	544,221	38,179	2,807	-	-	1,368,531

4 Fair value of financial instruments

(1) Fair value hierarchy

According to the the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement, the levels are defined as follows:

- Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities. The financial instruments of this level include listed equity securities, debt instruments and open-end fund investments;

- Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities. The financial instruments of this level include most OTC derivatives and bonds. The sources of the yield curve or counterparty credit risk input value parameters are Thomson Reuters, Bloomberg and ChinaBond.com.

- Level 3 inputs: inputs that are unobservable for underlying assets or liabilities. The financial instruments of this level include equity instruments and debt instruments with significant non-observable components.

(2) Financial instruments not measured at fair value

Financial assets and financial liabilities not measured at fair value in the statement of financial position mainly include: deposits with central banks, deposits and placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers (measured at amortized cost), financial investment measured at amortized cost, borrowing from central bank, deposits and placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers, lease liabilities and bonds issued.

The book value and corresponding fair value of financial investment not measured at fair value (financial investment measured at amortized cost) and bonds issued as at 31 December 2021 and 31 December 2020 are listed in the following table.

	31 December 2021				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Debt investments	1,306,188	-	885,585	438,125	1,323,710
Financial liabilities:					
Debt securities issued	1,317,121	-	1,326,573	-	1,326,573

	31 December 2020				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Debt investments	1,169,777	-	957,148	221,417	1,178,565
Financial liabilities:					
Debt securities issued	1,140,653	-	1,142,652	-	1,142,652

(i) Debt investments

The fair value of debt investments is based on market quotes, and therefore belongs to the first level. If the relevant market information of debt investments cannot be obtained, then the discounted cash flow model is used for the valuation of fair value, which belongs to Level 3. Where applicable, the fair value of financial investments measured at amortized cost are determined with reference to the valuation results of China Central Depository & Clearing Co., Ltd., China Securities Index Co., Ltd. or Bloomberg, which belongs to Level 2.

(ii) Debt securities issued

The fair value of bonds issued is based on public quotes on the market. For bonds that cannot be quoted in the market, the fair value is determined by the discounted cash flow method and is based on the actual return rate matching the remaining maturity of the bond.

In addition to the above financial assets and financial liabilities, the fair value of other financial assets and financial liabilities that are not measured at fair value in the statement of financial position are deteremined with the discounted future cash flow method. There is no significant difference between their book value and fair value because these financial instruments have a shorter duration, or their interest rates fluctuate with market interest rates.

(3) Assests and liabilities measured at fair value a recurring basis

The following table presents the fair value information and the fair value hierarchy of the Group's assets and liabilities which are measured at fair value a recurring basis.

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Trading assets				
- Fund	392,112	615	6,006	398,733
- Bonds	744	63,378	265	64,387
- Fund trust and asset management plan	-	8,545	10,413	18,958
- Beneficiary certificates of securities companies	-	13,437	-	13,437
- Interbank Certificates of Deposit	-	9,012	-	9,012
- Equity	4,673	-	3,521	8,194
- ABS	-	6,519	-	6,519
- Wealth management products	-	327	-	327
- Other	-	-	6,467	6,467
Other debt investments				
- Bonds	44,831	402,238	-	447,069
- Interbank Certificates of Deposit	-	11,726	-	11,726
- Fund trust and asset management plan	-	9,198	2	9,200
- ABS	-	5,134	-	5,134
Other equity investments				
- Equity	394	-	5,860	6,254
- Fund	-	-	828	828
Loans and advances to customers:				
FVOCI				
- Discounted bills	-	459,324	-	459,324
- Trade financing	-	24,868	-	24,868
FVTPL				
- Discounted bills	-	26,595	-	26,595
- Trade financing	-	19,554	-	19,554
Derivative financial assets	-	33,773	-	33,773
Total financial assets	442,754	1,094,243	33,362	1,570,359
Derivative financial liabilitie	-	29,528	-	29,528
Trading liabilities				
- Financial liabilities related to precious metals	18,570	291	-	18,861
- Interest of other unitholders in consolidated structured entities	10,702	110	514	11,326
- Financial liabilities related to short selling of bonds	1,093	-	-	1,093
Total financial liabilities	30,365	29,929	514	60,808

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Trading assets				
- Fund	425,124	470	2,958	428,552
- Bonds	3,652	63,005	298	66,955
- Fund trust and asset management plan	-	8,491	11,803	20,294
- Beneficiary certificates of securities companies	-	18,651	-	18,651
- Equity	3,559	220	1,325	5,104
- Interbank Certificates of Deposit	-	2,988	-	2,988
- ABS	-	562	-	562
- Wealth management products	-	-	72	72
- Other investments	-	-	5,971	5,971
Other debt investments				
- Bonds	48,180	465,133	-	513,313
- Asset management plan	-	43,997	1,014	45,011
- ABS	-	7,818	-	7,818
- Interbank Certificates of Deposit	-	3,833	-	3,833
Other equity investments				
- Equity	375	-	4,643	5,018
- Other equity investments	-	-	817	817
Loans and advances to customers:				
FVOCI				
- Discounted bills	-	416,881	-	416,881
- Trade financing	-	5,627	-	5,627
FVTPL				
- Discounted bills	-	15,336	-	15,336
- Trade financing	-	2,944	-	2,944
Derivative financial assets	-	63,589	-	63,589
Total financial assets	480,890	1,119,545	28,901	1,629,336
Derivative financial liabilities	-	61,146	-	61,146
Trading liabilities				
- Financial liabilities related to precious metals	5,236	831	-	6,067
- Interest of other unitholders in consolidated structured entities	8,330	181	1,479	9,990
Total financial liabilities	13,566	62,158	1,479	77,203

The Group takes the date of the event that caused the transfer between levels as the date of the transfer. There is no transfer between the first and second levels this year.

(i) Level 2 Financial Instruments

The fair value of financial instruments that are not traded in an active market (such as OTC derivatives) is determined using valuation techniques. Valuation techniques use observable market data (if any) as much as possible, and rely as little as possible on the entity's specific estimates. If all significant inputs required to calculate the fair value of a financial instrument are observable data, the financial instrument is included in level 2. If one or more significant inputs are not based on observable market data, the financial instrument is included in level 3.

The financial instruments classified by the Group as level 2 mainly include bonds, foreign exchange forwards and swaps, interest rate swaps and foreign exchange options. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Foreign exchange forwards and swaps, interest rate swaps, foreign exchange options are valued using cash flow discounts and the Blair-Scholes model. All significant valuation parameters are obtained from observable market information.

(ii) Level 3 Financial Instruments

The changes in the Group's Level 3 assets and liabilities as follows:

	Trading assets	Other debt investments	Other equity investments	Trading liabilities	Total
1 January 2021	22,427	1,014	5,460	(1,479)	27,422
Additions	10,077	2	1,210	(417)	10,872
Disposals and settlements	(6,546)	(781)	-	1,013	(6,314)
Total gains/(losses) recorded in profit or loss	714	-	-	369	1,083
Total gains/(losses) recorded in other comprehensive income	-	(233)	18	-	(215)
31 December 2021	26,672	2	6,688	(514)	32,848
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2021 for the positions held at 31 December 2021	1,344	-	-	172	1,516

	Trading assets	Other debt investments	Other equity investments	Trading liabilities	Total
1 January 2020	59,675	2,481	5,397	(1,857)	65,696
Additions	3,665	228	512	(1,313)	3,092
Disposals and settlements	(41,243)	(1,965)	(45)	1,652	(41,601)
Total gains/(losses) recorded in profit or loss	330	266	45	39	680
Total gains/(losses) recorded in other comprehensive income	-	4	(449)	-	(445)
31 December 2020	22,427	1,014	5,460	(1,479)	27,422
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2020 for the positions held at 31 December 2020	(843)	-	-	14	(829)

The relevant information of Level 3 of fair value measurement using important unobservable input values is as follows:

31 December 2021	Fair value	Valuation method	Unobservable inputs
Financial investment:			
Trading assets			
- Fund trust and asset management plan	7,092	Income approach	Discount rate
	3,321	Refer to recent transactions	Liquidity discount
- Fund	6,006	Refer to recent transactions	Liquidity discount
- Equity	3,521	Income approach	Discount rate
- Bonds	265	Income approach	Discount rate
- Other	6,467	Refer to recent transactions	Liquidity discount
	26,672		
Other debt investments			
- Fund trust and asset management plan	2	Income approach	Discount rate
Other equity investments			
- Equity	2,877	Market approach	Liquidity discount P/B ratio
	2,857	Refer to recent transactions	Liquidity discount
	126	Market approach	Liquidity discount P/E ratio
- Other equity investments	767	Refer to recent transactions	Liquidity discount
	61	Market approach	Liquidity discount P/B ratio
	6,688		
Trading liabilities			
- Interest of other unit holders in consolidated structured entities	514	Note 1	Note 1

31 December 2020	Fair value	Valuation method	Unobservable inputs
Financial investment:			
Trading assets			
- Fund trust and asset management plan	10,997	Income approach	Discount rate
	806	Refer to recent transactions	NA
- Equity	1,325	Income approach	Discount rate
- Fund	2,958	Refer to recent transactions	NA
- Bonds	298	Income approach	Discount rate
- Wealth management products	72	Income approach	Discount rate
- Other	5,971	Refer to recent transactions	NA
	22,427		
Other debt investments			
- Fund trust and asset management plan	1,014	Income approach	Discount rate
Other equity investments			
- Equity	1,657	Refer to recent transactions	NA
	2,860	Market approach	Liquidity discount P/B ratio
	126	Market approach	Liquidity discount P/E ratio
- Other equity investments	50	Market approach	Liquidity discount P/B ratio
	767	Refer to recent transactions	NA
	5,460		
Trading liabilities			
- Interest of other unit holders in consolidated structured entities	1,479	Note 1	Note 1

Note1: The fair value of the interest of other unit holders in consolidated structured entities is the amount attributable to the investor of the structured entity based on the net value of the structured entity.

5 Offsetting of financial assets and financial liabilities

Some financial assets and financial liabilities in the Group follow executable net amount settlement arrangements or similar agreements. Such arrangements with the Group and counterparties normally allow the net amount settlement under agreements of both parties. If no agreement is reached, it would be settled in full amount. But one party could choose to settle in net amount under the condition that the other party violates the agreement. According to the requirements of the Accounting Standards for Business Enterprises, the Group did not offset these financial assets and financial liabilities.

As at 31 December 2021, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

6 Capital management

The objectives of the Group's capital management are to:

(1) Satisfy regulatory requirements for capital adequacy ratio on an ongoing basis, ensure operational compliance to ultimately optimise capital stock and structure.
(2) Ensure adequate capital for resisting corresponding risks, realise the operational safety, and keep capital at an adequate and reasonable level.
(3) Establish a capital allocation and management system that focuses on economic capital, optimise the resource allocation and management control mechanism at the group level, achieve capital intensive management to ultimately maximise shareholders' value.

The Group manages its capital structure and adjust it based on the changes in economic condition and the risk characteristics. Generally, the mechanism of adjusting the capital structure comprises dividend distribution policies and issuance of additional capital instruments such as tier 1 capital instruments and tier 2 capital instruments, etc.

In China, commercial banks should meet the requirements for capital adequacy ratio set out in the Administrative Measures on the Capital of Commercial Banks (for Trial Implementation) which required the capital adequacy ratio of core tier 1 capital shall not be less than 7.50%, capital adequacy ratio of tier 1 capital shall not be less than 8.50% and capital adequacy ratio shall not be less than 10.50%.

In addition, PBOC and CBIRC have formulated evaluation of Systemically Important Banks and Additional Regulatory Rules for Systemically Important Banks (for Trial Implementation). According to the above provisions, systemically important banks shall meet certain additional capital requirements in addition to minimum capital requirements, reserve capital and counter-cyclical capital requirements, which are satisfied by core Tier 1 capital. Systemically important banks are divided into five groups and the additional capital requirements of 0.25%, 0.5%, 0.75%, 1% and 1.5% shall apply to the banks in Group I to Group V respectively. According to the list of systemically important banks issued by CBIRC in October 2021, the bank was Identified as systemically important banks in Group II . Therefore, after considering the additional capital requirements of systemically important banks, the group will meet the minimum requirement of 8% of core tier 1 capital adequacy from January 1, 2023.

	The Group	
	31 December 2021	31 December 2020
Core tier 1 capital - net	548,486	519,268
Tier 1 capital - net	658,929	629,653
Capital - net	817,715	798,859
Total risk weighted assets	5,835,947	5,458,504
Core tier 1 capital adequacy ratio	9.40%	9.51%
Tier 1 capital adequacy ratio	11.29%	11.54%
Capital adequacy ratio	14.01%	14.64%

(1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratios includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2) The Group's Core Tier 1 Capital includes ordinary shares, equity components of the convertible corporate bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general risk reserve, retained earnings, minority interests (to the extent permitted in the Core Tier 1 Capital under the Regulation).

(3) The Group's Deductible Items from Core Tier 1 Capital include other intangible assets (excluding land use rights) after deducting the related deferred tax liabilities and the net amount of goodwill after deducting related deferred tax liabilities.

(4) The Group's other Tier 1 Capital includes preference shares, Perpetual bondand minority interests to the extent permitted by the capital rules.

(5) The Group's Tier 2 Capital includes: Tier 2 capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests to the extent permitted by the capital rules.

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk weighted Assets and Operational Risk-weighted Assets respectively.

XIII ASSET PLEDGED

Certain financial assets of the Group are pledged as collateral for financial liabilities, and the analysis of these assets are as follows:

	31 December 2021	31 December 2020
Financial investments	522,642	491,435
Discounted bills	44,167	107,497
Bank loans	547	778
Total	567,356	599,710

XIV EVENTS AFTER THE REPORTING DATE

1 Profit distribution plan

The Bank convened the board of directors on 26 April 2022, approved the profit distribution plan for 2021 and submitted it to the annual general meeting for consideration and approval.

2 Establishment of the subsidiary

In January 2022, the Bank received the approval from CBIRC on the opening of Puyin Wealth Management Co., Ltd. (CBIRC [2022] No.4), and the wholly-owned subsidiary Puyin Wealth Management Co., Ltd. was approved to open with a registered capital of RMB 5 billion. The bank will strictly perform its duties as a shareholder in accordance with regulatory requirements.

XV COMPARATIVE FIGURES

In order to be consistent with the presentation of financial statements for the current year, a number of comparative figures have been reclassified.

Shanghai Pudong Development Bank Co., Ltd.

Supplementary Information to the Financial Statements For the year ended 31 December 2021

(Expressed in millions of RMB unless otherwise stated)

I Earnings per share

In accordance with "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) (The Rules for the Information Disclosure and Reporting No.9) issued by the CSRC and relevant accounting standards, the Group's earnings per share are calculated as follows:

	2021	2020
Earnings per share before deducting extraordinary gains and losses		
- Net profit attributable to shareholders of the Bank	47,650	55,244
- Basic earnings per share attributable to shareholders of the Bank (in RMB)	1.62	1.88
- Diluted earnings per share attributable to shareholders of the Bank (in RMB)	1.50	1.73
Earnings per share after deducting extraordinary gains and losses		
- Net profit attributable to shareholders of the Bank	47,197	54,829
- Basic earnings per share attributable to shareholders of the Bank (in RMB)	1.61	1.87
- Diluted earnings per share attributable to shareholders of the Bank (in RMB)	1.48	1.72

II Return on equity

In accordance with "The Rules for the Information Disclosure and Reporting No.9" issued by the CSRC and relevant accounting standards, the Group's return on net assets are calculated as follows:

	2021	2020
Weighted net asset attributable to shareholders of the Bank	544,491	511,116
Before deducting extraordinary gains and losses		
- Net profit attributable to shareholders of the Bank	47,650	55,244
- Weighted average of return on net assets	8.75%	10.81%
After deducting extraordinary gains and losses		
- Net profit attributable to shareholders of the Bank	47,197	54,829
- Weighted average of return on net assets	8.67%	10.73%

III Extraoridinary gains and losses

Extraordinary gains and losses listed below are presented in accordance with Interpretive Pronouncement on the Preparation of Information Disclosure of Companies Issuing Public Shares No.1 – Extraordinary Gains and Losses (2008):

	2021	2020
Government grants	856	720
Profit / (loss) arising from the disposal of non current assets	26	(8)
Other non - operating expense	(134)	(54)
Tax effect	(217)	(179)
Total	531	479
Including:		
Net amount of extraordinary gains and losses affecting the net profit of the Bank's shareholders	453	415
Net amount of extraordinary gains and losses affecting the net profit of the Group's minority shareholders	78	64

Gains on fair value changes of financial assets and liabilities at fair value through profit and loss arising from the Group’s normal operations, and investment income from disposals of financial assets and liabilities at fair value through profit and loss and debt instruments measured at FVOCI are not disclosed as non-recurring gains or losses.

IV Leverage ratio

For more detailed information about leverage ratios, please refer to the column on investor relations at the Bank's website: www.spdb.com.cn.

V Regulatory capital

For more information about regulatory capital, please refer to the column on investor relations at the Bank's website: www.spdb.com.cn.

Shanghai Pudong Development Bank Co., Ltd.

Financial Statements and Auditor’s Report
For the year ended 31 December 2021

English Translation of the Financial Statements

IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

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

KPMG Huazhen Tongzi NO. 2200040

Opinion

We have audited the financial statements of Shanghai Pudong Development Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 1 to 140, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2021, the consolidated and the Bank's statement of profit or loss and other comprehensive income, the consolidated and the Bank's statement of changes in equity and the consolidated and the Bank's statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the consolidated and the Bank's financial positions at 31 December 2021 and of its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the the Ministry of Finance of the People's Republic of China.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

<table>
<tr><td colspan="2">Measurement of expected credit losses ("ECL") for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments</td></tr>
<tr><td colspan="2">Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments involves significant management judgments.

The Group established internal controls for the ECL measurement.</td><td>Our audit procedures to assess ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments included the following:

• Understanding and evaluating the design and operating effectiveness of the key internal controls over financial reporting related to ECL measurement for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments:

- Understanding and evaluating the design and operating effectiveness of the key internal controls of the financial reporting process, including credit approval, recording, monitoring, periodic re-evaluation of credit grading, and the accrual of loss allowance; in particular, we assessed the design and operating effectiveness of the key internal controls over financial reporting related to the classification of loans by credit quality across all stages, financial investment at amortized cost, credit quality of financial guarantees and loan commitments;

- Understanding and evaluating the design and operating effectiveness of information system controls, including: general information technology control, completeness of key internal historical data, inter-system data transmission, mapping of parameters of ECL model, and system calculation logic of loss allowance for ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments, based on the works of our Information Technology Risk Management ("IRM") Specialists and Financial Risk Management ("FRM") Specialists;</td></tr>
</table>

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group assesses whether the credit risks of loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments have increased significantly since their initial recognition, and applies a three – stage impairment model to measure their ECL. For loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.	• Evaluating the reliability of ECL models and parameters used, including prudently evaluating probability of default, loss given default, exposure at default, discount rate, forwar adjustment and other adjustment factors, and evaluating the reasonableness of key management jugments involved, based on the work of FRM Specialists including whether the macro-economy condition under the impact of COVID-19 has been taken into account or not; • Evaluating the completeness and accuracy of key data used by the ECL models. For key internal data related to the original business files, we compared the respective amount of loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments used by the management to evaluate the loss allowances with the general ledger amounts, in order to assess the completeness of lists. Select samples and compare the information of the loans and advances to customers and financial investment at amortized cost, financial guarantees and loan commitments with relevant agreements and other relevant documents to assess the accuracy of the lists. For key external data, we compared it with public information to check its accuracy; • Evaluating key parameters involving subjective judgments by seeking evidence from external sources and comparing it with internal records including historical loss scenarios and security types. As part of these procedures, we inquired management about the reasons for modifictions of key estimates and parameters input, and assessed the consistency of judgement used by management;

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following: (1) Division of business operations sharing similar credit risk characteristics into the same group, selection of appropriate models and determination of relevant key parameters; (2) Criteria for determining a significant increase in credit risk, default and credit impairments; (3) Application of economic indicators for prospective measurement, economic scenarios and their respective weightings. The economic impacts of COVID-19 have increased the estimation uncertainties of the assumption related to accounting estimates.	• Comparing the predictive economic indicators used by the management to measure the ECL in the previous year with the actual situation of the current year to consider whether there are indicators of management bias; • For key internal data which was generated by the system calculation, we selected samples and compared the input data used in the system with the original business files to evaluate the accuracy of the data input. In addition, based on the work of IRM Specialists, we selected samples and tested the logic of preparing overdue information of loans and advances to customers; • Selecting samples to assess the reasonableness of management judgement on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. We analysed the loan portfolio by industry sector to select samples in industried sensitive to the current business cycle and regulatory policies. We also focused on loans with perceived higher risk and selected samples from non-performing loans, overdue but performing loans and borrowers with warning signs, adverse press coverage or split ratings. On the basis of sample selection, we reviewed the business documents, checked the overdue information, inquired customer managers about about the operation conditions of borrowers, checked the financial information of the borrower and searched for market information about the borrower's business and operation.

Key audit matters (continued)

<table>
<tr><th colspan="2">Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</th></tr>
<tr><td colspan="2">Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Measurement of ECL for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments is subject to inherent uncertainty and involves management judgments, and has an important influence on operation conditions and capital positions of the Group. In view of these reasons, we identified ECL measurement as a key audit matter.</td><td>• Performing credit reviews for the selected credit impaired loans and advances to customers and financial investment at amortized cost by assessing the forecast of recoverable cash flows through inquiry, applying professional judgment and performing independent research. We also evaluated the timing and realisation method of collaterals and considered other sources of repayment asserted by the management. We Assessed the consistency of the application of key assumptions made by the management and compared the assumptions with our data sources;

• Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group;

• According to the relevant accounting standards, evaluate the reasonableness of the information disclosure of financial statements in terms of loans and advances to customers, financial investments measured at amortised cost, financial guarantee contracts and loan commitments.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><td colspan="2">Consolidation of structured entities</td></tr>
<tr><td colspan="2">Refer to Notes II.4(1) and III.37 to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an asset-backed security, a trust plan, an asset management plan or a securities investment fund.</td><td>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:

• Making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;

• Selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected:

- Inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

- Inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><td colspan="2">Consolidation of structured entities (continued)</td></tr>
<tr><td colspan="2">Refer to Notes II.4(1) and III.37 to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.</td><td>• Selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected (continued):
- Evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity;
- Assessing management's judgement over whether the structured entity should be consolidated or not;
• Evaluating the disclosures relating to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><td colspan="2">Assessment of the fair value of financial instruments</td></tr>
<tr><td colspan="2">Refer to Notes II.4(8), II.4(22) and VIII.4 to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.

The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• Assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;

• Assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data;

• Engaging our Financial Risk Management specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation model of the Group with the industry-wide accepted valuation methodology, developing parallel models, obtaining inputs independently and verifying the inputs;

• Assessing the appropriate application of fair value adjustment that form an integral part of fair values, inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and

• Assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Other Information

Management is responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by IASB, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shi Hai Yun.

KPMG Huazhen LLP

Beijing, the People's Republic of China
April 26, 2022

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Statement of Profit or Loss
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2021	2020	2021	2020
Interest income		300,693	294,985	295,132	290,103
Interest expense		(164,735)	(156,404)	(161,564)	(153,741)
Net interest income	III.1	135,958	138,581	133,568	136,362
Fee and commission income		39,847	44,257	35,488	40,158
Fee and commission expense		(10,713)	(10,311)	(10,778)	(10,409)
Net fee and commission income	III.2	29,134	33,946	24,710	29,749
Net trading profit or loss	III.3	20,115	17,620	19,125	15,051
Net gains or losses arising from financial investments	III.4	2,276	3,219	2,332	3,208
Other net operating income		3,417	3,055	586	729
Operating expenses	III.5	(53,708)	(50,425)	(48,830)	(46,097)
Impairment losses	III.6	(78,344)	(79,553)	(77,188)	(77,331)
Share of profits from associates and joint ventures		223	146	190	130
Profit before income tax		59,071	66,589	54,493	61,801
Income tax expense	III.7	(5,305)	(7,665)	(4,184)	(6,680)
Net profit		53,766	58,924	50,309	55,121
Net profit attributable to:					
Shareholders of the Bank		53,003	58,261	50,309	55,121
Non-controlling interests		763	663	-	-
Earnings per share attributable to the shareholders of the Bank:					
Basic earnings per share (expressed in RMB)	III.8	1.62	1.88		
Diluted earnings per share (expressed in RMB)	III.8	1.50	1.73		

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Statement of Comprehensive Income
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2021	2020	2021	2020
Net profit		53,766	58,924	50,309	55,121
Other comprehensive income	III.34				
Items that may be reclassified to profit or loss					
Changes in fair value of other debt investments		1	-	1	-
Changes in fair value of debt investments at fair value through other comprehensive income		(437)	(3,529)	(102)	(3,401)
Credit impairment allowance of debt investments at fair value through other comprehensive income		(673)	755	(439)	484
Cash flow hedge reserve		29	(4)	5	2
Exchange differences from the translations of foreign operations		(101)	(184)	7	(61)
Item that will not be reclassified to profit or loss					
Changes in fair value of equity investments at fair value through other comprehensive income		28	(345)	28	(345)
Other comprehensive income,net of tax		(1,153)	(3,307)	(500)	(3,321)
Total comprehensive income		52,613	55,617	49,809	51,800
Total comprehensive income attributable to：					
Shareholder of the Bank		51,848	54,970	49,809	51,800
Non-controlling interests		765	647	-	-

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Financial position
as at 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Assets					
Cash and deposits with central bank	III.9	420,996	489,088	416,110	484,262
Deposits and placements with banks and other financial institutions	III.10	433,781	385,927	425,421	382,406
Precious metals		13,151	44,969	13,151	44,969
Derivative financial assets	III.11	33,773	63,589	33,756	63,589
Financial assets purchased under resale agreements	III.12	117	36,526	101	36,526
Loans and advances to customers	III.13	4,690,954	4,430,228	4,594,234	4,339,333
Financial investments:	III.14				
-Financial investments at fair value through profit or loss		526,034	549,149	487,998	514,468
-Financial investments at amortized cost		1,306,188	1,169,777	1,304,324	1,167,536
-Financial investments at fair value through other comprehensive income		486,701	583,621	482,376	577,343
Investments in associates and joint ventures	III.15	2,819	2,401	2,513	2,127
Investments in controlled subsidiaries		-	-	24,307	24,307
Fixed assets	III.16	38,708	32,364	18,308	16,250
Right-of-use assets	III.17	8,560	8,446	8,118	8,005
Intangible assets	III.18	10,538	10,523	8,239	8,234
Goodwill	III.19	6,981	6,981	-	-
Deferred income tax assets	III.20	58,962	52,358	57,542	51,049
Other assets	III.21	98,494	92,210	92,763	85,388
Total assets		8,136,757	7,958,157	7,969,261	7,805,792

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Financial position (continued)
as at 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group 31 December 2021	The Group 31 December 2020	The Bank 31 December 2021	The Bank 31 December 2020
Liabilities					
Borrowing from central bank		236,317	274,346	235,223	272,964
Deposits and placements from banks and other financial institutions	III.22	1,106,775	1,365,572	1,035,278	1,310,056
Financial liabilities at fair value through profit or loss	III.23	31,280	16,057	19,954	6,067
Derivative financial liabilities	III.11	29,528	61,146	29,507	61,137
Financial assets sold under repurchase agreements	III.24	174,219	232,346	170,038	225,425
Deposits from customers	III.25	4,463,608	4,122,407	4,431,975	4,090,341
Income tax payable		25,170	23,804	24,703	23,153
Debt securities issued	III.26	1,317,121	1,140,653	1,303,891	1,127,379
Deferred income tax liabilities	III.20	638	689	-	-
Lease liabilities	III.17	8,451	8,544	7,993	8,088
Provisions	III.27	6,275	5,280	6,272	5,276
Other liabilities	III.28	59,157	62,097	50,076	51,923
Total liabilities		7,458,539	7,312,941	7,314,910	7,181,809

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Financial position (continued)
as at 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Equity					
Share capital	III.29	29,352	29,352	29,352	29,352
Other equity instruments	III.30	112,691	112,691	112,691	112,691
Capital reserves	III.31	81,762	81,761	81,712	81,711
Surplus reserves	III.32	159,292	142,739	159,292	142,739
General risk reserve	III.33	90,993	79,640	89,000	78,000
Other reserves	III.34	2,821	3,976	2,849	3,349
Retained earnings	III.35	193,096	187,441	179,455	176,141
Equity attributable to the shareholders of the Bank		670,007	637,600	654,351	623,983
Non-controlling interests		8,211	7,616	-	-
Total equity		678,218	645,216	654,351	623,983
Total liabilities and equity		8,136,757	7,958,157	7,969,261	7,805,792

These financial statements were approved for issue by the Board of Directors of the Bank on April 26, 2022.

Chairman of the board of the directors: Zheng Yang

President: Pan Weidong

Chief Financial Officer: Wang Xinhao

Head of the finance and accounting department: Li Lianquan

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Changes in Equity
as at 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	Equity attributable to the shareholders of the Bank									
	Ordinary Shares	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 1 January 2021	29,352	112,691	81,761	142,739	79,640	3,976	187,441	637,600	7,616	645,216
Net profit	-	-	-	-	-	-	53,003	53,003	763	53,766
Other comprehensive income	-	-	-	-	-	(1,155)	-	(1,155)	2	(1,153)
Total comprehensive income	-	-	-	-	-	(1,155)	53,003	51,848	765	52,613
Equity increase due to issurance of convertible bonds	-	-	1	-	-	-	-	1	-	1
Appropriation to surplus reserves	-	-	-	16,553	-	-	(16,553)	-	-	-
Appropriation to general risk reserves	-	-	-	-	11,353	-	(11,353)	-	-	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(14,089)	(14,089)	-	(14,089)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)	-	(1,559)
Interests payment of perpetual bond	-	-	-	-	-	-	(3,794)	(3,794)	-	(3,794)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(170)	(170)
Balance at 31 December 2021	29,352	112,691	81,762	159,292	90,993	2,821	193,096	670,007	8,211	678,218

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Changes in Equity (continued)
as at 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Equity attributable to the shareholders of the Bank									
	Ordinary Shares	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 1 January 2020	29,352	62,698	81,760	125,805	76,249	7,267	170,197	553,328	7,191	560,519
Net profit	-	-	-	-	-	-	58,261	58,261	663	58,924
Other comprehensive income	-	-	-	-	-	(3,291)	-	(3,291)	(16)	(3,307)
Total comprehensive income	-	-	-	-	-	(3,291)	58,261	54,970	647	55,617
Issurance of capital bonds with unfixed terms	-	49,993	-	-	-	-	-	49,993	-	49,993
Equity increase due to issurance of convertible bonds	-	-	1	-	-	-	-	1	-	1
Non-controlling interests change due to subsidiaries' capital increase	-	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserves	-	-	-	16,934	-	-	(16,934)	-	-	-
Appropriation to general risk reserves	-	-	-	-	3,391	-	(3,391)	-	-	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(17,611)	(17,611)	-	(17,611)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,662)	(1,662)	-	(1,662)
Interests payment of perpetual bond	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(222)	(222)
Balance at 31 December 2020	29,352	112,691	81,761	142,739	79,640	3,976	187,441	637,600	7,616	645,216

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity (continued)
as at 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	Share capital	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2021	29,352	112,691	81,711	142,739	78,000	3,349	176,141	623,983
Net profit	-	-	-	-	-	-	50,309	50,309
Other comprehensive income	-	-	-	-	-	(500)	-	(500)
Total comprehensive income	-	-	-	-	-	(500)	50,309	49,809
Equity increase due to issurance of convertible bonds	-	-	1	-	-	-	-	1
Appropriations to surplus reserves	-	-	-	16,553	-	-	(16,553)	-
Appropriations to general risk reserve	-	-	-	-	11,000	-	(11,000)	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(14,089)	(14,089)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)
Interests payment of perpetual bond	-	-	-	-	-	-	(3,794)	(3,794)
Balance at 31 December 2021	29,352	112,691	81,712	159,292	89,000	2,849	179,455	654,351

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity (continued)
as at 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Share capital	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2020	29,352	62,698	81,710	125,805	74,900	6,670	161,746	542,881
Net profit	-	-	-	-	-	-	55,121	55,121
Other comprehensive income	-	-	-	-	-	(3,321)	-	(3,321)
Total comprehensive income	-	-	-	-	-	(3,321)	55,121	51,800
Issurance of capital bonds with unfixed terms	-	49,993	-	-	-	-	-	49,993
Equity increase due to issurance of convertible bonds	-	-	1	-	-	-	-	1
Appropriations to surplus reserves	-	-	-	16,934	-	-	(16,934)	-
Appropriations to general risk reserve	-	-	-	-	3,100	-	(3,100)	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(17,611)	(17,611)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,662)	(1,662)
Interests payment of perpetual bond	-	-	-	-	-	-	(1,419)	(1,419)
Balance at 31 December 2020	29,352	112,691	81,711	142,739	78,000	3,349	176,141	623,983

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2021	2020	2021	2020
Cash flows from operating activities				
Profit before income tax	59,071	66,589	54,493	61,801
Adjustment for:				
Depreciation and amortization	7,261	6,736	6,004	5,541
Interest expense on lease liability	316	317	300	298
Assets impairment losses	78,344	79,553	77,188	77,331
Interest expense from debt securities issued	38,664	32,375	38,163	31,851
Interest income from financial investments	(64,623)	(61,795)	(64,144)	(61,321)
Net profit or loss on disposal of fixed assets	(26)	8	(26)	8
Share of profits from associates and joint ventures	(223)	(146)	(190)	(130)
Unrealized profit or loss on derivative financial instruments	(1,638)	(5,079)	(1,638)	(5,079)
Net profit or loss arising from financial investments	(2,276)	(3,219)	(2,332)	(3,208)
Net trading profit or loss	(9,865)	(8,386)	(9,250)	(6,934)
Foreign exchange gain or loss arising from investing and financing activities	(2)	13	(1)	12
Changes in operating assets:				
Statutory reserves with central bank	(704)	25,164	(736)	24,772
Deposits and placements with banks and other financial institutions	(43,360)	(66,608)	(41,022)	(64,018)
Financial assets held for trading	(5,512)	(22,022)	(600)	(18,485)
Financial assets purchased under resale agreements	(57)	832	(58)	832
Loans and advances to customers	(324,198)	(571,450)	(318,587)	(553,977)
Other operating assets	11,638	(29,797)	14,053	(26,267)

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2021	2020	2021	2020
Cash flows from operating activities (continued)				
Changes in operating liabilities:				
Borrowing from central bank	(37,284)	40,593	(36,997)	39,700
Deposits and placements from banks and other financial institutions	(257,708)	201,968	(273,634)	183,386
Financial assets sold under repurchase	(58,097)	4,810	(55,357)	(2,111)
Deposits from customers	326,572	448,631	327,094	444,637
Other operating liabilities	35,845	3,194	35,034	430
Cash (used in)/generated from operating activities before income tax payment	(247,862)	142,281	(252,243)	129,069
Income tax paid	(9,330)	(12,613)	(8,802)	(11,378)
Net cash (used in)/generated from operating activities	(257,192)	129,668	(261,045)	117,691
Cash flows from investing activities				
Proceeds from disposal and redemption of investments	1,556,457	1,926,503	1,552,560	1,887,873
Investment income received	73,018	85,243	72,096	84,681
Proceeds from disposal of fixed assets	425	309	130	242
Purchase of fixed assets, intangible assets and other long-term assets	(11,285)	(5,792)	(5,595)	(4,510)
Purchase of investment	(1,575,875)	(2,147,940)	(1,575,192)	(2,096,373)
Net cash generated from /(used in) investing activities	42,740	(141,677)	43,999	(128,087)

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2021	2020	2021	2020
Cash flows from financing activities				
	-	-		-
Proceeds from issurance of bonds and interbank deposits	1,346,368	1,366,158	1,341,374	1,362,056
Repayment of bonds and interbank deposits issued	(1,170,787)	(1,179,103)	(1,165,786)	(1,176,093)
Cash paid for dividends, profit and interest of bond issued	(57,392)	(52,921)	(56,684)	(52,175)
Proceeds from other financing activities	(3,324)	(3,283)	(3,191)	(3,419)
Net cash generated from financing activities	114,865	130,851	115,713	130,369
Effect of exchange rate changes on cash and cash equivalents	(2,905)	(5,308)	(3,730)	(5,195)
Net (decrease)/increase in cash and cash equivalents	(102,492)	113,534	(105,063)	114,778
Cash and cash equivalents at the beginning of the year	318,618	205,084	312,615	197,837
Cash and cash equivalents at the end of the year	216,126	318,618	207,552	312,615
Cash flows from operating activities include:				
Interest received	248,518	247,891	241,904	242,799
Interest paid	(113,391)	(111,896)	(110,780)	(110,067)

Composition of cash and cash equivalents:	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash	5,470	5,356	5,338	5,214
Surplus resrves with central bank	73,454	143,283	70,405	140,336
Deposits and placements with banks and other financial institutions with original maturities no more than three months	137,167	133,484	131,791	130,570
Financial assets purchased under resale agreements with original maturities no more than three months	35	36,495	18	36,495
Total	216,126	318,618	207,552	312,615

The notes on pages 13 to 140 form an intergral part of these financial statements.

I General Information

Shanghai Pudong Development Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in Shanghai, the People’s Republic of China (“the PRC”) on 28 August 1992 in accordance with the approval from the People’s Bank of China (“the PBOC” or “Central Bank”) (Yin Fu [1992] No.350). The Address of the head office is 12 First East Zhongshan Road, Shanghai. The Bank obtained its business licence from Shanghai Municipal Administration of Industry and Commerce on 19 October 1992 and commenced its business on 9 January 1993. On 10 November 1999, the Bank’s share capital denominated in RMB were listed and traded on the Shanghai Stock Exchange.

The unified social credit code of the Bank is 9131000013221158XC, and the financial service certificate No. of the Bank is B0015H131000001.

The Bank and its subsidiaries (collectively referred to as “the Group”) are mainly engaged in financial businesses. The scope of business mainly includes commercial banking services, financial leasing businesses and trust services approved by the PBOC and the China Banking and Insurance Regulatory Commission (the “CBIRC”), investment banking and fund management business defined by relevant licenses issued by Securities & Futures Commission of Hong Kong. The Bank’s principal regulator is the CBIRC. The Bank’s overseas branches and subsidiaries are subject to the supervision by local regulators.

The major subsidiaries are consolidated in the Bank’s financial statements are disclosure in Note III. 38(1).

II Basis of preparation and accounting policies

1. Basis of preparation

The accounting year of the Group is from 1 January to 31 December.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and Interpretations promulgated by the International Accounting Standards Board (“IASB”), on the basis of going concern.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”) and financial assets measured at fair value through other comprehensive income (“FVOCI”), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note II. 4(30).

2. Changes in significant accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards ("IASs"), and its amendments) that are effective in 2021 and relevant to the Group's operation.

- *IFRS 9 - Financial Instruments*,
- *IAS 39 - Financial Instruments: Recognition and measurement*,
- *IFRS 7 - Financial Instruments: Disclosures*: Interest Rate Benchmark Reform,
- *IFRS 14* - Regulatory Deferral Accounts
- *IFRS 16* – Leasing (Revised) Interest rate benchmark reform - Phase 2

The above new or amended IFRSs that are effective in 2021 has been initially adopted in the financial report. The initial adoption of the above amendments did not have any material impact on the financial position and financial performance of the Group.

3. Impact of issued but not yet effective International Financial Reporting Standards

The Group has not adopted the following new and revised IFRSs and IASs issued but not yet effective in the financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 14 and IFRS 16, (1)	Interest Rate Benchmark Reform-Phase 2
Amendments to IFRS 3(1)	Reference to the Conceptual Framework
Amendments to IAS 16(1)	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37(1)	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRS 1	Annual Improvements to IFRSs 2018-2020 Cycle(2)
Amendments to IFRS 9	
Amendments to IFRS 16 and IFRS 41	
Amendments to IFRS 17(2)	Insurance Contracts and amendments
Amendments to IAS 1(2)	Classification of liabilities as current or Non-current
Amendments to IAS 1(2) and IFRS 2	Disclosure of accounting policies
Amendments to IFRS 8(2)	Definition of accounting estimate
Amendments to IFRS 12(2)	Deferred tax related to assets and liabilities arising from single transaction
Amendments to IFRS 10 and IAS 28(4)	Sale or contribution of assets between an investor and its associate or joint venture

(1) Effective for accounting periods beginning on or after 1 January 2022.
(2) Effective for accounting periods beginning on or after 1 January 2023.
(3) Effective date to be determined.

The Group is in the process of making an assessment of what the impact of these amendments and improvements is expected to have on the financial position and financial performance of the Group.

4. Summary of significant accounting policies

(1) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank’s statement of financial position, its investments in subsidiaries are stated at cost less impairment losses (see Note II. 4(20)).

(2) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to a parent.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(3) Associates and joint ventures

An associate is an entity in which the Group or Bank has significant influence.

A joint venture is an arrangement whereby the Group or Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group’s investments in associates or joint ventures are accounted for under the equity method of accounting. Under the equity method, an investment in an associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share of the net assets of the associate or joint venture, less any impairment losses. The consolidated statement of profit or loss reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

Under the equity method, unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see Note II.4(20)).

(4) Functional currency

The Group's functional currency is Renminbi and these financial statements are presented in Renminbi. Items included in the financial statements of each of the Group's operations oversea are measured using the currency of the primary economic environment in which the entity operates.Their financial statements have been translated based on the accounting policy set out in Note II.4(5).

(5) Foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or rates that approximate the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. For monetary items denominated in foreign currency and classified as financial assets measured at fair value and whose changes are included in other comprehensive income, the foreign currency translation difference is decomposed into the translation difference caused by the change of amortized cost and the translation difference caused by the change of other book amounts of these items. The translation difference arising from the change of amortized cost is included in the current profit and loss, and the translation difference arising from the change of other carrying amount is included in other comprehensive income. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, construction or production of qualifying assets.

Non-monetary items that are measured at historical cost in a foreign currency are still translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(6) Criteria for determining cash and cash equivalents

Cash and cash equivalents refer to cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(7) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

(8) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

- Financial assets measured at FVTPL

  These financial assets are subsequently measured at fair value. Net gains and losses (including any interest or dividend income) are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets measured at amortised cost

  These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments measured at FVOCI

  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments measured at FVOCI

  These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

- Financial liabilities at FVTPL

  A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

  Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless:

- The financial liability is part of a hedging relationship;

  The financial liability is a financial liability designated at fair value through profit or loss, and changes in fair value arising from changes in the Bank's credit risks are included in other comprehensive income.

- Other financial liabilities

  Other financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities, financial guarantee contracts and loan commitments arising from transfers of financial assets that do not qualify for the derecognition conditions or continue to be involved in the transferred financial assets

(iv) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied：

- The Group currently has a legally enforceable right to set off the recognised amounts；
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(v) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or；
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial assets have been transferred. If the group neither transfers nor retains almost all the risks and rewards of the ownership of the financial assets, and retains the control over the financial assets, the relevant financial assets shall be recognized according to the degree of continuous involvement in the transferred financial assets, and the corresponding liabilities shall be recognized.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment measured at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(vi) Impairment of financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on:

- Financial assets measured at amortised cost;
- Contract assets;
- Debt instruments measured at FVOCI;
- Loan commitments and financial guarantee contracts; and
- Lease receivables.

Financial assets measured at fair value, including debt investments or equity securities measured at FVTPL, equity securities designated as at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses for financial instruments with a risk of default. Credit losses are measured as the present value of all cash shortfalls which is the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

The Group’s method of measuring ECL of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECL is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.
12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

Refer to Note VIII.1(3) for more detailed explanations of measuring ECL.

Presentation of allowance for ECL

ECL are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt investments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income. For loan commitments and financial guarantee contracts that are not measured at fair value and whose changes are included in current profits and losses, the Group recognizes loss reserves in estimated liabilities (Refer to Note III 27).

Write-off

The book value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vii) Modification of financial asset contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess or renegotiate whether or not the new contractual terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms.

If the modified contract terms do not change substantially, but lead to changes in the contract cash flow, when assessing whether the credit risk of relevant financial instruments has increased significantly, the group shall recalculate the book balance of the financial assets and record the relevant gains or losses into the current profits and losses. The recalculated book balance of the financial asset shall be determined according to the present value of the modified or renegotiated contract cash flow discounted at the original effective interest rate of the financial asset (or the purchased or originated financial asset with credit impairment shall be discounted at the effective interest rate adjusted by credit). For all costs or expenses incurred in modifying or renegotiating the contract, the group adjusts the book value of the modified financial asset and amortizes it within the remaining period of the modified financial asset. When assessing whether the credit risk of relevant financial instruments has increased significantly, the group compares the risk of default on the balance sheet date based on the changed contract terms with the risk of default on the initial recognition based on the original contract terms.

(viii) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(9) Financial guarantee contracts and loan commitments

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

The financial guarantee contract shall be initially recognized at fair value on the date of providing the guarantee. After initial recognition, the relevant income of the financial guarantee contract shall be amortized and included in the current profit and loss in accordance with the accounting policies described in Note II. 4(25). Financial guarantee liabilities are subsequently measured according to the higher of the amount of loss reserves determined according to the impairment principle of financial instruments (Refer to Note II, 4(8)) and the balance of its initially recognized amount after deducting the accumulated amortization of the income related to the financial guarantee contract.

Loan commitments

Loan commitment refers to the definite commitment to provide credit according to the pre-defined terms and conditions.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

The Group's expected credit losses of financial guarantees and loan commitments are presented as “provisions”.

(10) Derivatives and hedge accounting

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments with positive fair value are recognized as an asset, and those with negative fair value are recognized as a liability.

If the main contract included in the hybrid contract is an asset within the scope of financial instrument standards, the embedded derivative will no longer be separated from the main contract of financial assets, but the relevant provisions on the classification of financial assets will be applied to the hybrid financial instruments as a whole. If the main contract included in the hybrid contract is not an asset within the scope of the financial instrument standard, when some embedded derivative financial instruments are not closely related to the economic characteristics and risks of their main contract, the separate instrument with the same terms as the embedded derivative meets the definition of derivative financial instrument, and the hybrid instrument is not measured at fair value and its changes are included in the current profit and loss, Then the embedded derivative financial instrument shall be separated from the hybrid contract and treated as an independent derivative financial instrument. These embedded derivative financial instruments are measured at fair value, and the changes in fair value are included in the current profit and loss.

If the profits and losses derived from the changes in the fair value of derivative financial instruments do not meet the requirements of hedge accounting, they shall be directly included in the current profits and losses.

Hedge accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. The Group's hedged items include fixed-rate borrowings that expose the Group to the risk of changes in fair value, floating rate borrowings that expose the Group to the risk of variability in cash flows, a firm commitment that is settled with a fixed amount of foreign currency and that exposes the Group to foreign currency risk.

A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item. For a hedge of foreign currency risk, the foreign currency risk component of a non-derivative financial asset or non-derivative financial liability may also be designated as a hedging instrument provided that it is not an investment in an equity instrument for which an entity has elected to present changes in the fair value in other comprehensive income.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

When a hedging relationship no longer meets the hedge effectiveness requirements due to the hedge ratio, but the risk management objective of the designated hedging relationship remains unchanged, the Group rebalances the hedging relationship. Rebalancing refers to the adjustments made to the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship for the purpose of maintaining a hedge ratio that complies with the hedge effectiveness requirements.

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.
- The hedging instrument expires or is sold, terminated or exercised.
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.
- The hedging relationship no longer meets other criteria for applying hedge accounting.

(i) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income as a cash flow hedge reserve. The amount of the cash flow hedge reserve is adjusted to the lower of the following (in absolute amounts):

- the cumulative gain or loss on the hedging instrument from inception of the hedge;

- the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The change in the amount of the cash flow hedge reserve is recognised in other comprehensive income in each period.

The portion of the gain or loss on the hedging instrument that is determined to be ineffectiveness is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it in the initial cost or other carrying amount of the asset or liability.

For cash flow hedges other than those covered above, that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When the Group discontinues hedge accounting for a cash flow hedge, the amount of the accumulated cash flow hedge reserve recognised in other comprehensive income is accounted for as follows:

- If the hedged future cash flows are still expected to occur, that amount will remain in the cash flow hedge reserve, and be accounted for in accordance with the above policy.

- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(ii) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

The gain or loss from remeasuring the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins.

(iii) Hedges of a net investment in a foreign operation

A hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When disposing a foreign operation, in whole or in part, the aforesaid gain or loss on the hedging instrument will be transferred from equity to profit or loss as a reclassification adjustment. The portion of the gain or loss on the hedging instrument that is determined to be ineffective is recognised in profit or loss.

(11) Convertible instruments

<u>Convertible instruments containing an equity component</u>

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

Other convertible instruments not containing an equity component

For other convertible instruments issued by the Group which do not contain an equity component, at initial recognition, the derivative component is measured at fair value, and any excess of proceeds over the derivative component is recognised as the liability component.

The derivative component is subsequently measured at fair value, and gains or losses from the changes in the fair value are recognised in profit or loss. The liability component is subsequently carried at amortised cost using the effective interest method.

On conversion, the carrying amounts of the derivative and liability components are transferred to equity. If the instrument is redeemed, any difference between the redemption amount paid and the carrying amounts of both components is recognised in profit or loss.

(12) Preference shares and capital bonds with unfixed terms

At initial recognition, the Group classifies the preference shares, Perpetual bondissued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares and Perpetual bondissued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and Perpetual bondissued not containing an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and Perpetual bondissued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and Perpetual bondare redeemed according to the contractual terms, the redemption price is charged to equity.

(13) Financial assets purchased under resale agreements and Financial assets sold under repurchase agreements

The financial assets purchased under resale agreements refers to the funds raised by the group to buy financial assets first and then resell them at a fixed price according to the resale agreement. The financial assets sold under repurchase agreements refer to the funds incorporated into the group's financial assets sold first according to the repurchase agreement and then repurchased at a fixed price.

The financial assets purchased under resale agreements and financial assets sold under repurchase agreements shall be recorded according to the actual payment or receipt at the time of business and reflected in the balance sheet. The purchased target assets purchased for resale are not recognized and recorded off balance sheet; The underlying assets sold and repurchased are still reflected in the balance sheet.

The bid ask price difference of buy for resale and sell for repurchase business is amortized by the effective interest method during the relevant transaction period and recognized as interest income and interest expense respectively.

(14) Fixed assets

Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in supply of services, for rental or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II.4(15).
Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life.The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	Estimate useful life	Residual value rate	Depreciation rate
Plant and buildings	30 years	3 - 5%	3.17 -3.23%
Motor vehicles	5 years	3 - 5%	19.00 - 19.40%
Electronic computers and other equipments	3 – 5 years	3 - 5%	19.00 - 32.33%
Plane and ship equipments	20 years	5%	4.75%

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

For the impairment of the fixed assets, refer to Note II.4(20).

Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or

- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

(15) Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs , and any other costs directly attributable to bringing the asset to working condition for its intended use.A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note II.4(20)).

(16) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II.4(20)). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

- Land use right is amortized since the month of acquisition using straight-line method within its statutory useful life. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

- Software is amortized since month of acquisition using straight-line method over its beneficial life

- Brand and franchise right are intangible assets with no expected useful lives, which are not subject to amortization.

The Group reviews the useful life and amortization method of a finite useful life intangible assets at the end of each year and adjusts it if necessary.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

(17) Long-term deferred expenses

Long-term deferred expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(18) Repossessed assets

Repossessed assets refer to the physical assets or property rights of the group that are compensated to the debtor, guarantor or a third party by exercising creditor's rights or security interests according to law.

For the transferred financial asset of repossessed assets, the group initially measures them at their fair value, and classifies and subsequently measures them in accordance with the accounting policies described in Note II. 4(8).

For the transferred non-financial asset debt paying assets, the group makes initial measurement according to the fair value of the abandoned creditor's rights and other costs such as taxes directly attributable to the assets, and makes subsequent measurement according to the lower of the book value of the debt paying assets and the recoverable amount. Refer to Note II. 4(20) for the impairment test method and the impairment provision method.

(19) Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer’s interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control. The Group’s goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note II.4(20)). On disposal of an asset group or a set of asset groups, goodwill shall be transferred out and included in the calculation of the profit or loss on disposal.

(20) Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- long-term equity investments
- goodwill
- long-term deferred expenses
- non-financial-asset-linked repossessed assets, etc

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually and the recoverable amounts of goodwill and intangible assets with indefinite useful lives at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

(21) Provisions

Contingent liabilities refer to the potential obligations formed by past transactions or events, and their existence must be confirmed by the occurrence or non occurrence of future uncertain events; Or the current obligation formed by past transactions or events, the performance of the obligation is not likely to lead to the outflow of economic benefits from the group or the amount affected by the obligation cannot be measured reliably. The Group does not recognize these obligations and only discloses contingent liabilities in Note IX, commitments and contingencies to the financial statements.

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(22) Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(23) Dividend distribution

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

(24) Fiduciary activities

The Group acts as the manager, trustee or agent of customers in the entrusted business. The balance sheet of the group does not include the assets held by the Group due to entrusted business and the commitment to return such assets to customers. The risks and benefits of such assets are borne by customers.

The Group signed an entrusted loan agreement with the customer, and the customer provided funds to the group (hereinafter referred to as "entrusted loan funds"), and the Group issued loans to third parties (hereinafter referred to as "entrusted loans") according to the customer's instructions. As the Group does not bear the risks and rewards of entrusted loans and related entrusted loan funds, entrusted loans and entrusted loan funds are recorded as off balance sheet items according to their principal, and no impairment provision is made for these entrusted loans.

(25) Revenue recognition

Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

(i) For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost;

(ii) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income is recognised when its performance obligation in contracts is satisfied. The income is recognized at the time point or period when the customer obtains the control right of relevant services.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as theGroup performs;
- The customer controls the service provided by the Group in the course of performance;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

Dividend income

Dividend income from equity instruments is recognized in the current profit and loss when the group's right to receive dividends is established.

Net trading income

Net trading income includes gains and losses arising from holding financial assets and liabilities measured at fair value through profit or loss, holding derivative financial instruments, trading precious metals and bulk commodities, etc.

(26) Employee benefits

Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accured at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

Post-employment benefits

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group and its employees are required to contribute a certain percentage of the employees’ previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Other long-term employee benefits

According to the actual payment of employees' salaries or services during the accounting period, the amount accrued or paid by employees shall be recognized as the current profit and loss.

(27) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses;

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses;

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred tax assets and liabilities are shown in net offset amounts at the end of the reporting period when both of the following conditions are met:

- that taxpayer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities;
- deferred tax assets and liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or to different taxpayer, but within the period of the reversal of each deferred tax asset and liability of importance in the future, the involved taxpayer intends to settle the current income tax assets and liabilities on a net basis or acquire assets and pay off liabilities at the same time.

(28) Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly speicied in a contrat and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the ecomonic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease componets, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

1) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.21.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

2) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note III.8. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(29) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;
(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
(iii) the entity and the Group are joint ventures of the same third party;
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
(vi) the entity is controlled or jointly controlled by a person identified in (a);
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(30) Significant accounting estimates and judgements

In preparing the financial statements, the management of the Group is required to apply estimates and assumptions which affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses. The reality may differ from these estimates. The Group's management continuously evaluates the judgment of the key assumptions and uncertainties involved in the estimates, and the impact of changes in accounting estimates is recognized in the current and future periods of the changes.

In the process of implementing the Group's accounting policies, the management will make judgments and assumptions on the impact of future uncertainties on the financial statements. On the balance sheet date, the management makes the following judgments and main assumptions on major future uncertainties, which may lead to significant adjustments to the book value of assets and liabilities in the next accounting period.

Measurement of ECL

For debt instrument investments measured at amortized cost and at fair value with changes included in other comprehensive income, as well as loan commitments and financial guarantee contracts, complex models and a large number of assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behavior (for example, the possibility of customer default and corresponding losses). Note XIII. 1 specify the parameters, assumptions and estimation techniques used in the measurement of expected credit loss.

Goodwill impairment

The Group tests whether goodwill is impaired at least annually, and impairment test is also required when there are signs that goodwill may be impaired. During the impairment test, it is necessary to allocate goodwill to the corresponding asset group or combination of asset groups, predict the future cash flow generated by the asset group or combination of asset groups, and select an appropriate discount rate to determine the present value of future cash flow.

Income tax

The Group needs to make judgments on the future tax treatment of certain transactions to confirm income tax. In accordance with relevant tax laws and regulations, the group carefully judges the income tax impact corresponding to the transaction and accrues income tax accordingly. Deferred income tax assets can only be recognized when it is possible to have future taxable profits and can be used to offset relevant temporary differences. In this regard, it is necessary to make a significant judgment on the tax treatment of some transactions and make a significant estimation on whether there are enough future taxable profits to offset the possibility of deferred income tax assets.

Fair value of financial instruments

For financial instruments that lack an active market, the Group uses valuation methods to determine their fair value. The valuation method includes referring to the transaction price determined during the fair transaction between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or estimating by using discounted cash flow analysis and option pricing model. The valuation method makes maximum use of observable market information. However, when observable market information is unavailable, the management will estimate the significant unobservable information included in the valuation method.

Judgment on whether the structured entities has control

The Group manages or invests in multiple financial products, trust plans, fund investments, asset management plans and asset-backed securities. When judging whether to control such structured entities, the Group determines whether it exercises its decision-making power as the main responsible person or agent, and evaluates its overall economic benefits to such structured entities (including the income generated by direct holding and expected management fees) and the scope of decision-making power to such structured entities. When the other party has the decision-making power, it is also necessary to determine whether the other party exercises the decision-making power as its agent.

For financial products, trust plans, fund investments and asset-backed securities in which the group has interests or is the initiator but is not included in the scope of the consolidated financial statements, see Note III(37).

III NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

1 Net interest income

	The Group		The Bank	
	2021	2020	2021	2020
Interest income				
Loans and advances to customers				
-Corporate loans	91,588	92,637	87,618	89,180
-Retail loans	112,530	113,497	111,599	112,607
-Discounted bills	14,428	9,853	14,428	9,852
Financial investments				
-at amortiazed cost	46,765	41,763	46,732	41,630
-at fair value through other comprehensive income	17,858	20,642	17,412	20,301
Deposits from and placements with banks and other financial institutions	9,520	9,407	9,372	9,382
Deposits with central bank	5,734	5,871	5,701	5,836
Financial assets purchased under resale agreements	2,270	1,315	2,270	1,315
Subtotal	300,693	294,985	295,132	290,103
Interest expense				
Deposits from customers	(84,867)	(82,713)	(84,028)	(81,953)
Debt securities issued	(38,664)	(32,861)	(38,163)	(32,356)
Deposits to and placements from banks and other financial institutions	(29,771)	(27,919)	(27,964)	(26,541)
Borrowing from central bank	(7,500)	(8,009)	(7,476)	(7,989)
Financial assets sold under repurchase agreements	(3,933)	(4,902)	(3,933)	(4,902)
Subtotal	(164,735)	(156,404)	(161,564)	(153,741)
Net interest income	135,958	138,581	133,568	136,362

2 Net fee and commission income

	The Group		The Bank	
	2021	2020	2021	2020
Fee and commission income				
Custodian and other fiduciary activities commissions	13,657	15,415	9,761	11,822
Fees from bank cards	12,863	14,528	12,862	14,527
Agency commissions	4,799	5,078	4,798	5,078
Fees from investment banking activities	3,694	4,457	3,501	4,358
Credit commitment fees	2,300	2,223	2,298	2,221
Settlement and clearing fees	971	883	971	883
Others	1,563	1,673	1,297	1,269
Subtotal	39,847	44,257	35,488	40,158
Fee and commission expense	(10,713)	(10,311)	(10,778)	(10,409)
Net fee and commission income	29,134	33,946	24,710	29,749

3 Net trading gains and losses

	The Group		The Bank	
	2021	2020	2021	2020
Financial investments measured at FVTPL	15,052	14,876	14,065	12,267
Non-foreign exchange derivative financial instruments	2,789	3,011	2,789	3,011
Precious metals	1,749	(845)	1,749	(845)
Exchange gains and losses	813	(215)	810	(175)
Hedged bonds	(491)	267	(491)	267
Others	203	526	203	526
Total	20,115	17,620	19,125	15,051

4 Net gains and losses arising from financial investments

	The Group		The Bank	
	2021	2020	2021	2020
Financial investments measured at FVOCI	1,214	2,741	1,143	2,487
Financial investments at amortized cost	1,010	433	1,010	433
Dividend income	52	45	179	288
Total	2,276	3,219	2,332	3,208

5 Operating expenses

	The Group		The Bank	
	2021	2020	2021	2020
Staff costs				
- Short-term employee benifits	23,292	23,266	21,383	21,532
- Post-employment benifits	2,503	1,768	2,393	1,733
- Other long-term employee benefits	2,605	2,475	2,297	2,349
Subtotal	28,400	27,509	26,073	25,614
Depreciation and amortization	6,226	5,925	6,004	5,541
Business tax and surcharges	2,004	2,117	1,922	2,034
Others	17,078	14,874	14,831	12,908
Total	53,708	50,425	48,830	46,097

6 Impairment losses

	The Group		The Bank	
	2021	2020	2021	2020
Loans and advances to customers	64,542	75,022	63,444	73,524
Others	13,802	4,531	13,744	3,807
Total	78,344	79,553	77,188	77,331

7 Income tax expense

	The Group		The Bank	
	2021	2020	2021	2020
Current income tax expense	11,694	13,177	10,506	11,880
Deferred income tax expense	(6,389)	(5,512)	(6,322)	(5,200)
Total	5,305	7,665	4,184	6,680

Reconciliations between the Group's income tax expenses calculated using the statutory tax rate and actual income tax expense are as follows:

	The Group		The Bank	
	2021	2020	2021	2020
Profit before income tax	59,071	66,589	54,493	61,801
Tax calculated at statutory tax rate of the PRC	14,768	16,647	13,623	15,449
Tax effect from other various tax rates adopted by subsidiaries	(43)	(126)	-	-
Tax effect of non-deductible expenses	377	497	319	348
Tax effect of non-taxable income	(9,716)	(9,486)	(9,691)	(9,251)
Other income tax adjustments	(81)	133	(67)	134
Income tax expense	5,305	7,665	4,184	6,680

8 Earnings per share

(1) Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing net profit for the year attributable to the holders of the Bank's share capital by the weighted average number of share capital outstanding during the year. The conversion feature of preference shares is considered to fall within the category of contingently issuable share capital. As at 31 December 2021, the triggering events of share conversion did not occur. Therefore, the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share in the current period.

The Group

	2021	2020
Profit for the year attributable to shareholders of the Bank	53,003	58,261
Less: Profit for the year attributable to preference shareholders of the Bank	(1,559)	(1,662)
Payment of interests of non-fixed term capital bonds	(3,794)	(1,419)
Profit for the year attributable to the holders of the Bank's share capital	47,650	55,180
Weighted average number of outstanding share capital (million)	29,352	29,352
Basic EPS (RMB)	1.62	1.88

The Bank declared cash dividends of RMB 1,559 million for preference share and interests payment of RMB 3,794 million for Perpetual bondin this year. For the purpose of calculating basic EPS, dividends on preference shares declared and interets of Perpetual bondin respect of the year have been deducted from the net profit attributable to ordinary shareholders of the Bank.

(2) Diluted earnings per share

The diluted earnings per share is calculated on the assumption that the RMB 50 billion convertible corporate bonds publicly issued by the Bank in 2019 deemed to have all been converted to ordinary shares upon issuance and by dividing, after adjustments for the interest expenses of the convertible corporate bonds for the year the net profit of the year attributable to ordinary shareholders of the Bank by the adjusted weighted average number of ordinary shares outstanding during the year.

The Group

	2021	2020
Net profit for the current year attributable to shareholders of the Bank	47,650	55,180
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	1,429	1,377
Net profit for the current year attributable to ordinary shareholders of the Bank	49,079	56,557
Weighted average number of outstanding ordinary shares (million)	29,352	29,352
Add: Assume that convertible corporate bonds are entirely converted to weighted average number of ordinary shares from the beginning of the period to the conversion date (million)	3,460	3,322
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	32,812	32,674
Diluted earnings per share (RMB)	1.50	1.73

9 Cash and deposits with central bank

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash		5,470	5,356	5,338	5,214
Statutory reserves with central bank	(1)	339,973	339,269	338,268	337,532
Surplus reserves with central bank	(2)	73,454	143,283	70,405	140,336
Fiscal deposits with central bank		1,939	1,011	1,939	1,011
Accrued interest		160	169	160	169
Total		420,996	489,088	416,110	484,262

(1) The Group is required to place statutory reserves with the PBOC and overseas central banks, including RMB and foreign currency deposit reserves and foreign exchange risk reserves for forward foreign exchange sales businesses, which are not allowed to be used in the Group's daily operations.

(2) The surplus reserves refer to money deposited by the Group with the PBOC and overseas central banks for the purpose of funds liquidation.

10 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deposits with domestic banks	71,746	77,684	62,787	69,529
Deposits with overseas banks	53,693	71,458	52,517	71,289
Deposits with domestic non-bank financial institutions	255	2,460	68	2,457
Placements with domestic banks	24,726	12,558	24,726	12,558
Placements with overseas banks	70,276	45,393	70,276	45,393
Placements with domestic non-bank financial institutions	201,157	159,967	201,637	161,132
Placements with overseas non-bank financial institutions	8,188	14,406	9,718	18,056
Accrued interest	4,062	2,413	3,985	2,378
Less: impairment allowance	(322)	(412)	(293)	(386)
Total	433,781	385,927	425,421	382,406

11 Derivative financial instruments

The Group

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	4,099,578	17,147	(15,789)
Exchange rate derivatives	1,578,860	13,844	(12,669)
Precious metal derivatives	195,711	2,656	(1,014)
Commodity and other derivatives	13,320	126	(56)
Total		33,773	(29,528)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	9,251	42	(126)
- Currency swap contracts	361	-	(8)
Cash flow hedges			
- Interest rate swap contracts	1,649	17	-
- Currency swap contracts	3,554	5	(25)
Total		64	(159)

	31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,399,464	18,260	(18,103)
Exchange rate derivatives	1,973,523	39,470	(39,109)
Precious metal derivatives	210,325	5,122	(3,632)
Commodity and other derivatives	14,717	737	(302)
Total		63,589	(61,146)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	24,283	56	(527)
- Currency swap contracts	693	-	(5)
Cash flow hedges			
- Interest rate swap contracts	663	-	(9)
- Currency swap contracts	389	-	(47)
Total		56	(588)

The Bank

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	4,097,929	17,130	(15,789)
Exchange rate derivatives	1,578,023	13,844	(12,648)
Precious metal derivatives	195,711	2,656	(1,014)
Commodity and other derivatives	13,320	126	(56)
Total		33,756	(29,507)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	9,251	42	(126)
- Currency swap contracts	361	-	(8)
Cash flow hedges			
- Currency swap contracts	2,717	5	(4)
Total		47	(138)

	31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,398,801	18,260	(18,094)
Exchange rate derivatives	1,973,523	39,470	(39,109)
Precious metal derivatives	210,325	5,122	(3,632)
Commodity and other derivatives	14,717	737	(302)
Total		63,589	(61,137)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	24,283	56	(527)
- Currency swap contracts	693	-	(5)
Cash flow hedges			
- Currency swap contracts	389	-	(47)
Total		56	(579)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

12 Financial assets purchased under resale agreements

The Group and the Bank

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Bonds	117	36,520	101	36,520
Accrued interest	-	7	-	7
Less: impairment allowance		(1)		(1)
Total	117	36,526	101	36,526

13 Loans and advances to customers

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Loans and advances to Customers measured at				
- amortized cost (a)	4,255,699	4,093,185	4,153,741	3,998,067
- FVOCI (b)	484,192	422,508	484,192	422,508
- FVTPL (c)	46,149	18,280	46,149	18,280
Subtotal	4,786,040	4,533,973	4,684,082	4,438,855
Accrued interest	15,257	15,576	14,664	14,851
Impairment allowances				
-Loans and advances to customers measured at amortized cost	(110,087)	(119,116)	(104,256)	(114,168)
- Accrued interest of loans and advances to customers measured at amortized cost	(256)	(205)	(256)	(205)
Subtotal	(110,343)	(119,321)	(104,512)	(114,373)
Net loans and advances to customers	4,690,954	4,430,228	4,594,234	4,339,333

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
(a) Loans and advances to customers measured at amortized cost				
Corporates loans				
Commercial Loans	2,261,151	2,248,168	2,175,189	2,168,559
Trade finance	102,155	49,048	102,155	49,048
Discounted bills	1,773	3,691	1,768	3,666
Retail loans				
Mortgage loans	905,974	849,193	898,953	841,967
Credit card and overdraft	416,142	372,117	416,142	372,117
Business loans	392,104	325,782	387,147	321,078
Consumer loans and others	176,400	245,186	172,387	241,632
Subtotal	4,255,699	4,093,185	4,153,741	3,998,067
(b) Loans and advances to customers measured at FVOCI				
Corporates loans				
Trade finance	24,868	5,627	24,868	5,627
Discounted bills	459,324	416,881	459,324	416,881
Subtotal	484,192	422,508	484,192	422,508
(c) Loans and advances to customers measured at FVTPL				
Corporates loans				
Trade finance	19,554	2,944	19,554	2,944
Discounted bills	26,595	15,336	26,595	15,336
Subtotal	46,149	18,280	46,149	18,280
Total loans and advances to customers	4,786,040	4,533,973	4,684,082	4,438,855

13.1 Loans and advances to customers analysed by industry

The Group

	31 December 2021		31 December 2020	
	Amount	Rate (%)	Amount	Rate (%)
Corporate loans				
Manufacturing	433,936	9.07	392,385	8.65
Lease and commercial service	421,641	8.81	361,907	7.98
Real estate	331,015	6.92	346,486	7.64
Transportation, warehouse and postal services	185,778	3.88	157,478	3.47
Water conservancy, environment and public facilities management	180,796	3.78	173,871	3.84
Wholesale and retail	177,773	3.71	207,798	4.58
Construction	165,645	3.46	160,798	3.55
Electricity, heat, gas, water production and supply	146,184	3.05	116,544	2.57
Financial services	108,267	2.26	104,093	2.30
Mining	78,343	1.64	95,167	2.10
Information transmission, software and IT services	63,203	1.32	58,820	1.30
Research and technology services	37,850	0.79	30,262	0.67
Culture, sports and entertainment	17,770	0.37	20,221	0.45
Agriculture, forestry, farming and fishery	17,243	0.36	20,172	0.44
Healthcare and social welfare	15,819	0.33	19,417	0.43
Education	14,668	0.31	15,480	0.34
Hotels and catering services	7,707	0.16	8,285	0.18
Residential services, repairs and other services	3,217	0.07	2,357	0.05
Public administration, social assurance and social organization	710	0.01	2,223	0.05
Others	163	0.01	12,023	0.27
Subtotal	2,407,728	50.31	2,305,787	50.86
Discounted bills	487,692	10.19	435,908	9.61
Retail loans	1,890,620	39.50	1,792,278	39.53
Total	4,786,040	100.00	4,533,973	100.00

The Bank

	31 December 2021		31 December 2020	
	Amount	(%)	Amount	(%)
Corporate loans				
Manufacturing	426,249	9.10	383,212	8.63
Lease and commercial service	420,635	8.98	362,067	8.16
Real estate	330,994	7.07	346,461	7.81
Wholesale and retail	175,868	3.75	180,701	4.07
Water, environment and public facilities management	175,158	3.74	164,966	3.72
Construction	161,763	3.45	158,654	3.57
Transportation, warehouse and postal services	154,032	3.29	157,326	3.54
Electricity, heat, gas, water production and supply	120,657	2.58	95,037	2.14
Financial services	110,242	2.35	104,009	2.34
Mining	73,050	1.56	90,633	2.04
Information transmission, software and IT services	62,391	1.33	57,581	1.30
Research and technology services	37,754	0.81	30,099	0.68
Culture, sports and entertainment	17,107	0.37	19,475	0.44
Healthcare and social welfare	15,636	0.33	16,971	0.38
Education	14,522	0.31	19,111	0.43
Agriculture, forestry, farming and fishery	14,162	0.30	15,332	0.35
Hotels and catering services	7,527	0.16	8,085	0.18
Residential services, repairs and other services	3,146	0.07	2,212	0.05
Public administration, social assurance and social organization	710	0.02	2,223	0.05
Others	163	0.01	12,023	0.27
Subtotal	2,321,766	49.58	2,226,178	50.15
Discounted bills	487,687	10.41	435,883	9.82
Retail loans	1,874,629	40.01	1,776,794	40.03
Total	4,684,082	100.00	4,438,855	100.00

13.2 Loans and advances to customers analysed by collateral type

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Unsecured loans	2,012,057	1,818,279	1,970,107	1,786,811
Guaranteed loans	779,176	776,427	743,976	740,152
Collateralized loans	1,740,296	1,668,955	1,724,164	1,652,088
Pledged loans	254,511	270,312	245,835	259,804
Total	4,786,040	4,533,973	4,684,082	4,438,855

13.3 Overdue loans and advances to customers

The Group

	31 December 2021				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	10,968	12,500	3,919	1,165	28,552
Guaranteed loans	7,967	15,248	7,302	1,592	32,109
Collateralized loans	10,478	11,770	9,667	1,710	33,625
Pledged loans	906	2,972	1,184	132	5,194
Total	30,319	42,490	22,072	4,599	99,480

	31 December 2020				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	8,899	13,728	4,953	857	28,437
Guaranteed loans	9,828	10,487	7,630	1,605	29,550
Collateralized loans	10,646	10,226	9,447	1,389	31,708
Pledged loans	1,544	3,233	2,325	97	7,199
Total	30,917	37,674	24,355	3,948	96,894

The Bank

	31 December 2021				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	10,836	12,209	3,346	967	27,358
Guaranteed loans	7,709	14,938	6,896	1,555	31,098
Collateralized loans	10,407	11,698	9,581	1,698	33,384
Pledged loans	901	2,970	1,073	132	5,076
Total	29,853	41,815	20,896	4,352	96,916

	31 December 2020				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	8,879	13,559	4,139	856	27,433
Guaranteed loans	9,484	10,061	7,517	1,552	28,614
Collateralized loans	10,475	10,142	9,385	1,382	31,384
Pledged loans	1,435	3,230	2,325	97	7,087
Total	30,273	36,992	23,366	3,887	94,518

The Group and the Bank classify the total loans with principal or interest overdue 1 day above (including 1 day) as overdue loans.

13.4 Movements of ECL allowance

(a) Movements of ECL allowance of loans and advances to customers at amortized cost

The Group

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021		31,044	22,831	65,241	119,116
Transfers during the year:					
- Transfer to stage 1		1,155	(1,026)	(129)	-
- Transfer to stage 2		(1,163)	2,506	(1,343)	-
- Transfer to stage 3		(1,078)	(10,558)	11,636	-
Net increase during the year	(1)	3,186	1,015	60,573	64,774
Written-offs and disposals during the year		-	-	(81,102)	(81,102)
Recovery of loans and advances written off in previous years		-	-	8,149	8,149
Others		(63)	(5)	(782)	(850)
Balance at 31 December 2021		33,081	14,763	62,243	110,087

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020		29,904	19,446	60,709	110,059
Transfers during the year:					
- Transfer to stage 1		1,850	(1,606)	(244)	-
- Transfer to stage 2		(1,300)	2,365	(1,065)	-
- Transfer to stage 3		(1,742)	(7,668)	9,410	-
Net increase during the year	(1)	2,344	10,294	62,065	74,703
Written-offs and disposals during the year		-	-	(70,044)	(70,044)
Recovery of loans and advances written off in previous years		-	-	5,648	5,648
Others		(12)	-	(1,238)	(1,250)
Balance at 31 December 2020		31,044	22,831	65,241	119,116

The Bank

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021		29,320	21,527	63,321	114,168
Transfers during the year:					
- Transfer to stage 1		1,149	(1,024)	(125)	-
- Transfer to stage 2		(1,106)	2,444	(1,338)	-
- Transfer to stage 3		(1,024)	(10,095)	11,119	-
Net increase during the year	(1)	2,336	1,262	60,078	63,676
Written-offs and disposals during the year		-	-	(80,917)	(80,917)
Recovery of loans and advances written off in previous years		-	-	8,124	8,124
Others		(16)	(2)	(777)	(795)
Balance at 31 December 2021		30,659	14,112	59,485	104,256

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020		28,530	18,998	58,629	106,157
Transfers during the year:					
- Transfer to stage 1		1,793	(1,593)	(200)	-
- Transfer to stage 2		(1,196)	2,245	(1,049)	-
- Transfer to stage 3		(1,678)	(7,624)	9,302	-
Net increase during the year	(1)	1,883	9,501	61,821	73,205
Written-offs and disposals during the year		-	-	(69,574)	(69,574)
Recovery of loans and advances written off in previous years		-	-	5,600	5,600
Others		(12)	-	(1,208)	(1,220)
Balance at 31 December 2020		29,320	21,527	63,321	114,168

(1) This item includes changes of PD, EAD, LGD due to routine updates to model parameters, and the impact of stage changes on the measurement of ECL.

(2) Financial instruments whose credit risks haven't significantly increased since the initial recognition are classified into stage 1, then they will be transferred into stage 2 if their credit risks have significantly increased since the initial recognition with no objective evidence for impairment, and will be further transferred into stage 3 where there is objective impairment evidence on the balance sheet date. Refer to Note VIII. 1(3) for ECL measurement.

(b) Movements of ECL allowance of loans and advances to customers at fair value through other comprehensive income

The Group and the Bank

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	529	4	218	751
Transfers during the year:				
- to stage 1	1	(1)	-	-
- to stage 2	(8)	8	-	-
- to stage 3	-	-	-	-
Net decrease during the year	(197)	(7)	(28)	(232)
Balance at 31 December 2021	325	4	190	519

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	288	8	136	432
Transfers during the year:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Net increase/(decrease) during the year	241	(4)	82	319
Balance at 31 December 2020	529	4	218	751

14 Financial Investments

	Note	The Group 31 December 2021	The Group 31 December 2020	The Bank 31 December 2021	The Bank 31 December 2020
Financial investment measured at FVTPL	(a)	526,034	549,149	487,998	514,468
Financial investments measured at amortized cost	(b)	1,306,188	1,169,777	1,304,324	1,167,536
Fnancial investments measured at FVOCI	(c)	486,701	583,621	482,376	577,343
Financial investments, net		2,318,923	2,302,547	2,274,698	2,259,347

(a) Financial investments measured at FVTPL:

	Note	The Group 31 December 2021	The Group 31 December 2020	The Bank 31 December 2021	The Bank 31 December 2020
Fund investments		398,733	428,552	375,268	407,181
Government bonds		34,146	42,040	34,146	41,705
Trust and asset management plans	(1)	18,958	20,294	13,630	13,351
Corporate bonds		16,216	42,040	14,989	41,705
Beneficiary certificates of securities companies		13,437	18,651	13,437	18,651
Bonds issued by financial institutions		12,236	10,412	10,581	9,158
Deposit certificates issued by other financial institutions		9,012	2,988	9,012	2,988
Equity investment		8,194	5,104	2,300	532
Assets backed securities (“ABS”)		6,519	562	6,409	463
Bonds issued by policy banks		1,789	3,407	1,789	3,407
Wealth management products managed by other banks		327	72	-	-
Other investment	(2)	6,467	5,971	6,437	5,937
Total		526,034	549,149	487,998	514,468

(1) Trust and asset management plans are managed and operated by the third-party trust plan trustee or asset manager, and are ultimately invested in bonds, ABS, equity investments with third-party repurchase arrangement, etc.

(2) Other investments mainly include the long-term employee benefits payable to Changjiang Pension Insurance Co., Ltd. for investment entrusted by the Group.

(b) Financial Investments measured at amortized cost

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Government bonds	567,605	558,397	567,605	558,397
Trust and asset management plans				
- Loans	253,657	139,798	252,640	138,979
- ABS	195,477	180,867	195,227	180,233
- Bill assets	695	44,841	695	44,841
- Others	2,543	7,354	2,543	7,354
Bonds issued by policy banks	200,520	194,122	200,520	194,122
Bonds issued by financial institutions	73,240	24,158	73,240	24,158
Corporate bonds	12,475	6,883	12,475	6,752
Deposit certificates issued by other financial institutions	1,137	833	1,137	833
Beneficiary certificates of securities companies	850	8,130	850	8,130
ABS	138	300	138	300
Other debt instrument	100	-	-	-
Subtotal	1,308,437	1,165,683	1,307,070	1,164,099
Accrued interest	17,527	16,041	17,467	15,999
Impairment allowance				
-Principal of financial Investments	(19,743)	(11,899)	(20,200)	(12,535)
-Accrued interest of financial Investments	(33)	(48)	(13)	(27)
Subtotal of impairment allowance	(19,776)	(11,947)	(20,213)	(12,562)
Financial Investments at amortized cost, net	1,306,188	1,169,777	1,304,324	1,167,536

(i) Movement for ECL allowance of the financial investments measured at amortized cost

The Group

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	1,469	174	10,256	11,899
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(22)	22	-	-
- to stage 3	(11)	(190)	201	-
Net increase for the year	597	634	10,702	11,933
Write-offs and disposals during the year	-	-	(4,082)	(4,082)
Others	(1)	-	(6)	(7)
Balance at 31 December 2021	2,032	640	17,071	19,743

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	1,599	57	7,023	8,679
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(61)	61	-	-
- to stage 3	-	(27)	27	-
Net (decrease) / increase for the year	(69)	83	4,236	4,250
Write-offs and disposals during the year	-	-	(1,030)	(1,030)
Balance at 31 December 2020	1,469	174	10,256	11,899

The Bank

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	1,459	155	10,921	12,535
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(22)	22	-	-
- to stage 3	(11)	(185)	196	-
Net increase for the year	606	648	10,494	11,748
Write-offs and disposals during the year	-	-	(4,082)	(4,082)
Others	(1)	-	-	(1)
Balance at 31 December 2021	2,031	640	17,529	20,200

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	1,574	53	7,755	9,382
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(42)	42	-	-
- to stage 3	-	(23)	23	-
Net (decrease) / increase for the year	(73)	83	4,173	4,183
Write-offs and disposals during the year	-	-	(1,030)	(1,030)
Balance at 31 December 2020	1,459	155	10,921	12,535

(c) Financial investments measured at FVOCI

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Government bonds	187,196	230,989	187,196	230,989
Bonds issued by policy banks	93,264	115,245	93,264	115,245
Bonds issued by financial institutions	83,847	80,328	81,869	79,628
Corporate bonds	82,762	86,751	80,419	82,188
Deposit certificates issued by other financial institutions	11,726	3,833	11,726	3,833
Asset management plans	9,200	45,011	9,198	43,997
ABS	5,134	7,818	5,134	7,818
Equity investments	6,254	5,018	6,254	5,018
Other equity investment	828	817	828	817
Subtotal	480,211	575,810	475,888	569,533
Accrued interest	6,490	7,811	6,488	7,810
Total	486,701	583,621	482,376	577,343

(i) Movements of ECL allowance of financial investments measured at FVOCI：

The Group

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	537	101	1,177	1,815
Transfers for the year：				
- to stage 1	-	-	-	-
- to stage 2	(43)	148	(105)	-
- to stage 3	-	(2)	2	-
Net decrease for the year	(143)	(21)	(349)	(513)
Written-offs	-	-	(64)	(64)
Others	(11)	(2)	(21)	(34)
Balance at 31 December 2021	340	224	640	1,204

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	367	83	747	1,197
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(2)	2	-	-
- to stage 3	(6)	(36)	42	-
Net increase for the year	185	52	413	650
Others	(7)	-	(25)	(32)
Balance at 31 December 2020	537	101	1,177	1,815

The Bank

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	419	56	598	1,073
Transfer for the year:				
- to stage 1	-	-	-	-
- to stage 2	(43)	43	-	-
- to stage 3	-	(2)	2	-
Net (decrease) / increase for the year	(50)	84	(311)	(277)
Written-offs	-	-	(64)	(64)
Others	(8)	(1)	(5)	(14)
Balance at 31 December 2021	318	180	220	718

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	292	41	414	747
Transfer for the year:				
- to stage 1	-	-	-	-
- to stage 2	(2)	2	-	-
- to stage 3	-	(36)	36	-
Net increase for the year	136	49	170	355
Others	(7)	-	(22)	(29)
Balance at 31 December 2020	419	56	598	1,073

15 Investments in associate and joint ventures

	Note	The Group 31 December 2021	The Group 31 December 2020	The Bank 31 December 2021	The Bank 31 December 2020
Investments in joint ventures	III.38(2)	2,513	2,127	2,513	2,127
Investments in associate	III.38(2)	306	274	-	-
Total		2,819	2,401	2,513	2,127

The Group

	1 January 2021	Increased/(decreased) Investment	Net income adjusted by equity method	OCI adjusted by equity method	Declared cash dividends	Other change	31 December 2021
AXA SPDB Investment Managers Co., Ltd.	1,384	-	186	-	(51)	-	1,519
SPDB Silcon Valley Bank	743	250	4	1	-	(4)	994
Others	274	(1)	33	-	-	-	306
Total	2,401	249	223	1	(51)	(4)	2,819

	1 January 2020	Increased Investment	Net income adjusted by equity method	Declared cash dividends	Other change	31 December 2020
AXA SPDB Investment Managers Co., Ltd.	1,336	-	130	(82)	-	1,384
SPDB Silcon Valley Bank	505	250	-	-	(12)	743
Others	208	51	16	-	(1)	274
Total	2,049	301	146	(82)	(13)	2,401

16 Fixed assets

The Group

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Plane and ship equipments	Construction in progress	Total
Cost						
1 January 2020	13,715	447	8,306	17,279	3,973	43,720
Additions	472	33	1,468	1,186	1,197	4,356
Transferred from / (to) construction in progress	-	-	10	-	(162)	(152)
Disposals	(3)	(27)	(910)	-	-	(940)
31 December 2020	14,184	453	8,874	18,465	5,008	46,984
Additions	26	33	1,737	4,954	2,437	9,187
Transferred from / (to) construction in progress	-	-	19	-	(224)	(205)
Disposals	(71)	(37)	(821)	-	-	(929)
31 December 2021	14,139	449	9,809	23,419	7,221	55,037
Accumulated depreciation						
1 January 2020	(4,353)	(358)	(6,367)	(2,259)	-	(13,337)
Charge	(488)	(27)	(845)	(811)	-	(2,171)
Disposal	1	24	863	-	-	888
31 December 2020	(4,840)	(361)	(6,349)	(3,070)	-	(14,620)
Charge	(461)	(25)	(1,107)	(1,035)	-	(2,628)
Disposal	71	34	814	-	-	919
31 December 2021	(5,230)	(352)	(6,642)	(4,105)	-	(16,329)
Net book value						
31 December 2021	8,909	97	3,167	19,314	7,221	38,708
31 December 2020	9,344	92	2,525	15,395	5,008	32,364

As at 31 December 2021, the net book value of RMB 19.31 billion (31 December 2020: RMB 15.40 billion) of the flight and ship equipment were rent out under operating lease by the Group's subsidiary, Puyin Financial Leasing Co., Ltd..

The Bank

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Construction in progress	Total
Cost					
1 January 2020	13,108	413	8,031	3,970	25,522
Additions	472	29	1,436	944	2,881
Transferred from / (to) constructions in progress	-	-	10	(145)	(135)
Disposals	(3)	(20)	(892)	-	(915)
31 December 2020	13,577	422	8,585	4,769	27,353
Additions	20	31	1,683	2,035	3,769
Transferred from / (to) constructions in progress	-	-	19	(218)	(199)
Disposals	(71)	(36)	(770)	-	(877)
31 December 2021	13,526	417	9,517	6,586	30,046
Accumulated					
1 January 2020	(4,180)	(329)	(6,161)	-	(10,670)
Charge	(459)	(25)	(813)	-	(1,297)
Disposals	1	18	845	-	864
31 December 2020	(4,638)	(336)	(6,129)	-	(11,103)
Charge	(430)	(23)	(1,052)	-	(1,505)
Disposals	71	34	765	-	870
31 December 2021	(4,997)	(325)	(6,416)	-	(11,738)
Net book value					
31 December 2021	8,529	92	3,101	6,586	18,308
31 December 2020	8,939	86	2,456	4,769	16,250

As at 31 December 2021, the land and buildings with original cost of RMB 677 million and net book value of RMB 517 million were in use by the Group and the Bank while the property right registration were still in progress.

As at 31 December 2020, the land and buildings with original cost of RMB 906 million and net book value of RMB 735 million were in use by the Group and the Bank while the property right registration were still in progress.

17 Lease

(1) Right-of-use assets

The Group

	Plant & buildings	Equipment & other	Total
Cost			
1 January 2020	16,097	427	16,524
Additions	4,500	46	4,546
Disposals	(4,136)	(295)	(4,431)
31 December 2020	16,461	178	16,639
Additions	2,938	22	2,960
Disposals	(2,540)	(62)	(2,602)
31 December 2021	16,859	138	16,997
Accumulated amortisation			
1 January 2020	(8,488)	(319)	(8,807)
Additions	(2,681)	(32)	(2,713)
Disposals	3,073	254	3,327
31 December 2020	(8,096)	(97)	(8,193)
Additions	(2,685)	(33)	(2,718)
Disposals	2,416	58	2,474
31 December 2021	(8,365)	(72)	(8,437)
Net book value			
31 December 2021	8,494	66	8,560
31 December 2020	8,365	81	8,446

(2) Lease liabilities

As at 31 December 2021, the analysis by remaining maturity date of the Group is as follows:

	31 December 2021	31 December 2020
Within 3 months	793	766
3 months to 1 year	2,152	1,991
1 year to 5 years	5,576	5,688
More than 5 years	634	890
Total undiscounted lease liabilities	9,155	9,335
Book value of lease liabilities at year-end	8,451	8,544

18 Intangible assets

The Group

	Land use rights	Software and others	Brand and franchise right	Total
Cost				
1 January 2020	6,800	5,662	2,236	14,698
Additions	-	1,425	-	1,425
Disposals	-	(1)	-	(1)
31 December 2020	6,800	7,086	2,236	16,122
Additions	-	1,570	-	1,570
Disposals	-	(30)	-	(30)
31 December 2021	6,800	8,626	2,236	17,662
Accumulated				
1 January 2020	(454)	(3,887)	-	(4,341)
Amortization	(173)	(1,086)	-	(1,259)
Disposals	-	1	-	1
31 December 2020	(627)	(4,972)	-	(5,599)
Amortization	(173)	(1,382)	-	(1,555)
Disposals	-	30	-	30
31 December 2021	(800)	(6,324)	-	(7,124)
Net book value				
31 December 2021	6,000	2,302	2,236	10,538
31 December 2020	6,173	2,114	2,236	10,523

The Bank

	Land use rights	Software and others	Total
Cost			
1 January 2020	6,797	4,852	11,649
Additions	-	1,400	1,400
Disposals	-	(1)	(1)
31 December 2020	6,797	6,251	13,048
Additions	-	1,541	1,541
Disposals	-	(1)	(1)
31 December 2021	6,797	7,791	14,588
Accumulated			
1 January 2020	(454)	(3,128)	(3,582)
Amortization	(173)	(1,060)	(1,233)
Disposals	-	1	1
31 December 2020	(627)	(4,187)	(4,814)
Amortization	(173)	(1,363)	(1,536)
Disposals	-	1	1
31 December 2021	(800)	(5,549)	(6,349)
Net book value			
31 December 2021	5,997	2,242	8,239
31 December 2020	6,170	2,064	8,234

19 Goodwill

	31 December 2021	31 December 2020
Goodwill		
-Shanghai International Trust Co., Ltd. (“Shanghai International Trust”)	6,981	6,981
Less：impairment allowances	-	-
Total	6,981	6,981

The goodwill is recognized as a result of the Bank’s issuance of share capital to acquire 97.33% equity of Shanghai International Trust in March 2016.

The goodwill allocated to the CGU or CGUs on transcation date according to operating segments are summarised as follows:

	31 December 2020 and 2021
Shanghai International Trust	4,739
Subsidiaries of Shanghai International Trust	2,242
Total	6,981

In the case of a goodwill impairment test, the Group compares the book value of CGU or CGUs (including goodwill) with its recoverable amount. If the recoverable amount is less than the book value, the related difference is recognised in profit or loss. The Group's goodwill allocation has not changed during the year.

On 31 December 2021, the recoverable amounts of the asset group or a set of asset groups of individual subsidiaries of Shanghai International Trust were determined by reference to its fair value less cost to sell. The relevant fair values were determined on the basis of management's resolution of those charged with governance and the relevant signed documents.

Except the description above, the Group calculates the recoverable amount of CGU and CGUs using cash flow models based on the management's approved five year financial forecasts. The Group determines the growth rate based on historical experience and market development forecasts, and uses a pre-tax rate that reflects the specific risk relating to the relevant CGU and CGUs as the discount rate. The stable period growth rate is the weighted average growth rate used for subsequent cash flows after the five-year forecast period.

20 Deferred income tax

20.1 The table below includes the deferred income tax assets and liabilities of the Group and the Bank after offsetting qualifying amounts:

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deferred income tax assets	58,962	52,358	57,542	51,049
Deferred income tax liabilities	(638)	(689)	-	-

20.2 Deferred income tax assets / liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

The Group

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	227,429	56,857	197,668	49,400
Fair value changes of derivative financial instruments	29,528	7,382	61,146	15,286
Employee benefits payable	7,770	1,943	7,425	1,856
Provisions	6,275	1,569	5,280	1,320
Fair value changes of assets measured at FVOCI	5,026	1,218	1,039	260
Fair value changes of assets and liabilities measured at FVTPL	1,466	357	2,685	671
Fair value changes of precious metals and commodities	-	-	620	155
Others	6,004	1,501	6,029	1,509
Subtotal	283,498	70,827	281,892	70,457
Offset amounts		(11,865)		(18,099)
Deferred income tax assets after offsetting		58,962		52,358

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(33,773)	(8,443)	(63,589)	(15,897)
Fair value changes of financial investment measured at FVOCI	(7,051)	(1,763)	(4,179)	(1,045)
Fair value changes of assets and liabilities measured at FVTPL	(6,302)	(1,571)	(3,596)	(899)
Differences between fair value and carrying amount of identifiable net assets arising from business combinations of entities not under common control	(2,544)	(636)	(2,888)	(689)
Fair value changes of precious metals and commodities	(354)	(88)	(900)	(225)
Others	(8)	(2)	(144)	(33)
Subtotal	(50,032)	(12,503)	(75,296)	(18,788)
Offset amounts		11,865		18,099
Deferred tax liabilities after offsetting		(638)		(689)

The Bank

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	223,468	55,867	193,692	48,423
Fair value changes of derivative financial instruments	29,507	7,377	61,137	15,284
Employee benefits payable	7,566	1,892	7,233	1,808
Provision	6,272	1,568	5,276	1,319
Fair value changes of assets measured at FVOCI	4,396	1,099	935	234
Fair value changes of assets and liabilities measured at FVTPL	1,355	339	2,685	671
Fair value changes of precious metals and commodities	-	-	620	155
Others	4,998	1,249	4,841	1,211
Subtotal	277,562	69,391	276,419	69,105
Offset amounts		(11,849)		(18,056)
Deferred tax liabilities after offsetting		57,542		51,049

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(33,756)	(8,439)	(63,589)	(15,897)
Fair value changes of financial investment measured at FVOCI	(7,051)	(1,763)	(4,179)	(1,045)
Fair value changes of assets and liabilities measured at FVTPL	(6,236)	(1,559)	(3,447)	(862)
Fair value changes of precious metals and commodities	(354)	(88)	(900)	(225)
Others	-	-	(108)	(27)
Subtotal	(47,397)	(11,849)	(72,223)	(18,056)
Offset amounts		11,849		18,056
Deferred tax liabilities after offsetting		-		-

20.3 The movement of the deferred income tax account is as follows:

	Note	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Balance at the beginning of the year		51,669	45,075	51,049	44,763
Charged to profit or loss	III.7	6,389	5,512	6,322	5,200
Charged to other comprehensive income	III.34	266	1,082	171	1,086
Balance at the end of the year		58,324	51,669	57,542	51,049

21 Other assets

	The Group 31 December 2021	The Group 31 December 2020	The Bank 31 December 2021	The Bank 31 December 2020
Suspense accounts	66,394	57,674	66,384	57,661
Margin deposits	14,355	10,480	14,355	10,480
Other receivables	4,983	7,487	3,842	6,046
Prepayment for land-use rights and constructions	4,256	4,770	2,150	2,353
Interest receivable	4,065	2,941	4,065	2,941
Payments to Trust Protection Fund	1,819	2,514	-	-
Long-term deferred expenses	1,180	371	1,118	329
Repossessed assets	612	720	555	678
Others	830	5,253	294	4,900
Total	98,494	92,210	92,763	85,388

22 Deposits and placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deposits from domestic banks	208,531	282,404	215,512	290,180
Deposits from overseas banks	1,478	11,510	1,478	11,510
Deposits from domestic non-bank financial institutions	702,353	872,880	703,484	874,951
Deposits from overseas non-bank financial institutions	9,888	13,164	10,230	13,437
Placements from domestic banks	139,511	123,653	70,053	75,050
Placements from overseas banks	40,244	48,296	32,579	41,342
Placements from domestic non-bank financial institutions	2,600	10,320	-	500
Accrued interest	2,170	3,345	1,942	3,086
Total	1,106,775	1,365,572	1,035,278	1,310,056

23 Financial liabilities measured at FVTPL

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financial liabilities related to precious metals		18,861	6,067	18,861	6,067
Financial liabilities related to short selling of bonds		1,093	-	1,093	-
Interest of other unitholders in consolidated structured entities	(1)	11,326	9,990	-	-
Total		31,280	16,057	19,954	6,067

(1) The Group designated interests attributable to other unit holders in consolidated structured entities as financial liabilities measured at FVTPL. As at 31 December 2021 and 31 December 2020, no significant fair value changes have occurred due to changes in the Group's own credit risk.

24 Financial assets sold under repurchase agreements

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Bonds	130,170	125,010	125,989	118,089
Discounted bills	44,016	107,273	44,016	107,273
Accrued interest	33	63	33	63
Total	174,219	232,346	170,038	225,425

25 Deposits from customers

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Current deposits				
-corporate	1,745,409	1,606,179	1,738,847	1,598,391
-retail	340,312	304,281	337,563	301,612
Time deposits				
-corporate	1,631,948	1,508,210	1,628,886	1,505,404
-retail	682,684	655,153	664,599	637,444
Other deposits	2,703	2,661	2,676	2,626
Subtotal	4,403,056	4,076,484	4,372,571	4,045,477
Accrued interest	60,552	45,923	59,404	44,864
Total	4,463,608	4,122,407	4,431,975	4,090,341

26 Debt securities issued

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Interbank deposit certificates and deposit certificates issued	(1)	900,375	780,410	900,375	780,410
Bonds issued					
Subordinated bond issued in 2011	(2)	-	18,400	-	18,400
Subordinated bond issued in 2012	(3)	12,000	12,000	12,000	12,000
Green Financial Bond 02	(4)	-	15,000	-	15,000
Green Financial Bond 03	(5)	-	15,000	-	15,000
2018 Tier II First Financial Bond	(6)	20,000	20,000	20,000	20,000
2018 Tier II Second Financial Bond	(7)	20,000	20,000	20,000	20,000
2019 First Special Financial Bond for Small and Micro Enterprise Loans	(8)	50,000	50,000	50,000	50,000
2020 Tie II First Financial bond	(9)	32,000	32,000	32,000	32,000
2020 Tier II Second Financial Bond	(10)	8,000	8,000	8,000	8,000
2020 Tier II Third Financial Bond	(11)	30,000	30,000	30,000	30,000
2020 Tier II Fourth Financial Bond	(12)	10,000	10,000	10,000	10,000
2020 First Financial Bond	(13)	50,000	50,000	50,000	50,000
2021 First Financial Bond	(14)	60,000	-	60,000	-
2021 Second Financial Bond	(15)	40,000	-	40,000	-
Hong Kong medium-term note	(16)	11,513	8,829	11,513	8,829
Singapore medium-term note	(17)	1,912	1,962	1,912	1,962
London medium-term note	(18)	1,912	1,962	1,912	1,962
SPDB Convertible corporate bonds	(19)	49,998	49,999	49,998	49,999
2018 SPDB Financial Leasing Financial Bond	(20)	-	5,000	-	-
2019 First SPDB Financial Leasing Financial Bond	(21)	2,000	2,000	-	-
2019 Second SPDB Financial Leasing Financial Bond	(22)	2,000	2,000	-	-
2020 Tier II SPDB Financial Leasing Financial Bond	(23)	1,100	1,100	-	-
2020 SPDB Financial Leasing Financial Bond	(24)	3,000	3,000	-	-
2021 SPDB Financial Leasing Financial Green Bond	(25)	3,000	-	-	-
2021 First SPDB Financial Leasing Financial Bond	(26)	2,000	-	-	-
Subtotal		410,435	356,252	397,335	343,152
Add / (Less): Unamortized issue cost		459	(975)	479	(961)
Debt securities issued		410,894	355,277	397,814	342,191
Accrued interest		5,852	4,966	5,702	4,778
Total		1,317,121	1,140,653	1,303,891	1,127,379

(1) As at 31 December 2021, the Group issued a total of 191 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 1 years and interest rates falling within a range from 2.30% to 3.18% (As at 31 December 2020, the Group issued a total of 323 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 1 years and interest rates falling within a range from 1.40% to 3.36%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2021, the number of deposit certificates publicly issued but not yet expired were 77 in total, with the longest term to maturity being 1 year and interest rates falling within a range from 0% to 3.15% (as at 31 December 2020, the number of deposit certificates publicly issued but not yet expired were 72 in total, with the longest term to maturity being 1 year and interest rates falling within a range from 0% to 2.06%).

(2) The Bank issued subordinated bond in the amount of RMB 18.4 billion in the domestic inter-bank market on 11 October 2011 which have a term of 15 years through maturity, with a fixed annual coupon rate of 6.15%. The Bank has already redeemed the entire portion of bond.

(3) The Bank issued subordinated bond in the amount of RMB 12 billion in the domestic inter-bank market on 27 December 2012 which have a term of 15 years through maturity, with a fixed annual coupon rate of 5.20%. The Bank is entitled to redeem entire portion of bond at face value on its tenth anniversary.

(4) The Bank issued “2016 Second Green Financial Bond” in the amount of RMB 15 billion in the domestic inter-bank market on 25 March 2016 which has a term of 5 years through maturity, with a fixed annual coupon rate of 3.20%.

(5) The Bank issued “2016 Third Green Financial Bond” in the amount of RMB 15 billion in the domestic inter-bank market on 14 July 2016 which has a term of 5 years through maturity, with a fixed annual coupon rate of 3.40%.

(6) The Bank issued Tier II capital instruments in the amount of RMB 20 billion in the domestic inter-bank market on 5 September 2018 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.96%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(7) The Bank issued Tier II capital instruments in the amount of RMB 20 billion in the domestic inter-bank market on 14 September 2018 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.96%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(8) The Bank issued “2019 First Special Financial Bond for Small and Micro Enterprise Loans” in the amount of RMB 50 billion in the domestic inter-bank market on 25 March 2019 which have a term of 3 years, with a fixed annual coupon rate of 3.50%.

(9) The Bank issued Tier II capital instruments in the amount of RMB 32 billion in the domestic inter-bank market on 30 July 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 3.87%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(10) The Bank issued Tier II capital instruments in the amount of RMB 8 billion in the domestic inter-bank market on 30 July 2020 which have a term of 15 years through maturity, with a fixed annual coupon rate of 4.18%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its tenth anniversary under certain conditions.

(11) The Bank issued Tier II capital instruments in the amount of RMB 30 billion in the domestic inter-bank market on 15 September 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.27%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(12) The Bank issued Tier II capital instruments in the amount of RMB 10 billion in the domestic inter-bank market on 15 September 2020 which have a term of 15 years through maturity, with a fixed annual coupon rate of 4.52%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its tenth anniversary under certain conditions.

(13) The Bank issued “2020 First Financial Bond” in the amount of RMB 50 billion in the domestic inter-bank market on 27 April 2020 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.08%.

(14) The Bank issued “2021 First Financial Bond” in the amount of RMB 60 billion in the domestic inter-bank market on 23 March 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.48%.

(15) The Bank issued “2021 Second Financial Bond” in the amount of RMB 40 billion in the domestic inter-bank market on 2 December 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.97%.

(16) The Bank issued USD 350 million medium-term note in Hong Kong Stock Exchange on 13 July 2017 which has a term of 5 years through maturity, with a flexible annual coupon rate of 3ML+95BPS. The Bank issued USD 500 million medium-term note in Hong Kong Stock Exchange on 24 September 2018 which has a term of 5 years through maturity, with a flexible annual coupon rate of 3ML+84BPS, which has expired this year. The Bank issued USD 500 million medium-term note in Hong Kong Stock Exchange on 27 July 2020 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS. The Bank simultaneously issued HK 2 billion medium-term notes and US 700 million medium-term notes in Hong Kong Stock Exchange on 13 July 2021 which has the term of 2 years and 3 years respectively, and the coupon rate is 0.600% of the fixed interest rate and 0.875% of the fixed interest rate respectively.

(17) The Bank issued USD 300 million medium-term note in Singapore Exchange Limited on 26 November 2018 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+87BPS. On January 19, 2021, the Bank issued medium-term notes totaling USD 300 million on the Singapore Exchange; the notes have a term of 3 years and a fixed coupon rate of 1.056% per annum.

(18) The Bank issued issued USD 300 million medium-term notes in London Stock Exchange on 29 October 2019 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+70BPS.

(19) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB50 billion, A-share convertible corporate bonds on 15 November 2019. The convertible corporate bonds have a term of six years from 28 October 2019 to 27 October 2025, at coupon rates of 0.20% for the first year, 0.80% for the second year, 1.50% for the third year, 2.10% for the fourth year, 3.20% for the fifth year and 4.00% for the sixth year. The bond is payable on an annual basis, with principal and last year's interest due. The conversion of these convertible corporate bonds begins from the first trading day after six months upon the completion date of the offering (4 May 2020) to the maturity date (27 October 2025).

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB 15.05 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances (excluding the conversion of convertible bonds due to this issue). The holder of this bond applies for a conversion within the conversion period. The number of conversions is calculated by dividing the total amount of the bond faced by the bond holder applying for the conversion by the effective conversion price on the day of application for the conversion. Within five trading days after the expiration of the convertible bonds issued by the Bank, the Bank will redeem all unconverted convertible bonds at 110% of the face value of the bonds' convertible bonds (including the interest of the last year). For the specific issuance terms of this bond, please refer to the relevant issuance announcement.

As at 31 December 2021, a total of RMB 1,290,000 covertible corporate bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 87,609, and it accounts for 0.0003% of the total issued ordinary shares of the company before the convertible bonds of Shanghai Pudong Development Bank. The cumulative effect of the conversion on other equity instruments of the Bank was not material.

The liabilities and equity components of the convertible corporate bonds issued by the group and the bank are as follows:

	Liability	Equity (Note III.30)	Total
Issued amount of convertible bonds	47,214	2,786	50,000
Direct issuance expenses	(78)	(4)	(82)
Balance at the issuance date	47,136	2,782	49,918
Amortisation in the prior year	1,989	-	1,989
Converted bonds in the prior years	(1)	-	(1)
Balance at 1 January 2021	49,124	2,782	51,906
Amortisation in the current period	1,442	-	1,442
Converted bonds during the year	(1)	-	(1)
Balance at 31 December 2021	50,565	2,782	53,347

(20) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2018 Financial Bond” in the amount of RMB 5 billion in the domestic inter-bank market on 19 July 2018 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.49%.

(21) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2019 first Financial Bond” in the amount of RMB 2 billion in the domestic inter-bank market on 23 July 2019 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.62%.

(22) SPDB Financial Leasing Co., Ltd, the subsidiary of the Bank, issued “2019 second Financial Bond” in the amount of RMB 2 billion in the domestic inter-bank market on 20 August 2019 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.45%.

(23) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bankissued Tier II capital instruments in the amount of RMB 1.1 billion in the domestic inter-bank market on 11 August 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.20%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(24) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2020 Financial Bond” in the amount of RMB 3 billion in the domestic inter-bank market on 17 November 2020 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.88%.

(25) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2021 Green Finance Bonds” in the amount of RMB 3 billion in the domestic inter-bank market on 6 July 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.38%.

(26) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2021 First Financial Bond” in the amount of RMB 3 billion in the domestic inter-bank market on 21 October 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.30%.

27 Provisions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Impairment allowance for financial guarantees and loan commitments	6,274	5,280	6,271	5,276
Others	1	-	1	-
	6,275	5,280	6,272	5,276

28 Other liabilities

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Suspense accounts	25,001	24,084	24,998	24,079
Employee benefits payable	14,865	13,822	13,068	12,183
VAT and other taxes payable	5,259	3,889	4,202	3,089
Advance from performance deposits and other deposits	3,288	9,739	202	5,777
Contract liabilities	3,140	2,832	2,545	1,954
Accrued expenses	2,758	1,406	2,748	1,391
Others	4,846	6,325	2,313	3,450
Total	59,157	62,097	50,076	51,923

29 Share capital

The Group and the Bank

	31 December 2021	31 December 2020
Domestic listed RMB ordinary share (A shares)	29,352	29,352

A shares issued by the Bank are all ordinary share, with par value of RMB 1 per share. All shares rank pari passu in all respects with each other.

30 Other equity instrument

	Note	31 December 2021	31 December 2020
Other equity instruments included in the tier 1 capital of the Bank-Equity of SPDB - convertible corporate bonds	(1)	2,782	2,782
Other equity instruments included in other tier 1 capital of the Bank	(2)	109,909	109,909
Total		112,691	112,691

(1) As at 31 December 2021, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2020: RMB 2,782 million), see note III. 26(19) for specific information.

(2) Other equity instruments included in other tier 1 capital of the Bank

Name of other equityinstruments outstanding	Dividend rate	Issuance Price (RMB)	Number	Opening amount	Movements during the year	Closing amount	Maturity date or renewals	Conversion (Yes/No)
Jiangyinyou 1(a)	6% for the first five years; 5.58% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
Jiangyinyou 2(a)	5.5% for the first five years 4.81% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
19 SPDB Capital bonds with unfixed termss (b)	4.73% for the first five years	100	300 million	30,000	-	30,000	No maturity date	No
20 SPDB Capital bonds with unfixed termss (b)	4.75% for the first five years	100	500 million	50,000	-	50,000	No maturity date	No
Less: Issue expenses				(91)	-	(91)		
Carrying amount				109,909	-	109,909		

(a) On 28 November 2014 and 6 March 2015, the Bank issued non-cumulative preference shares with a total par value of RMB 30 billion. The proceeds after deducting transaction costs amounted to RMB 29.92 billion and were recorded as other equity instruments. The Bank has the option to redeem part or all outstanding preference shares on any dividend payment date after five years from the issuance if certain conditions are met, under the approval obtained from the CBIRC. Holders of the preference shares have no right to require the Bank to redeem the outstanding preference shares. Dividends of the preference shares are payable in cash on annual basis at a fixed dividend rate which is adjusted every five years. The Bank at its discretion has the right not to declare and distribute the dividends of the preference shares in part or full.

Upon occurrence of any of the following triggering events and subject to the approval from the CBIRC, the Bank’s outstanding preference shares shall be mandatorily converted in part or full to the Bank’s ordinary shares:

1、 When the core tier 1 capital adequacy ratio of the Bank decreases to 5.125%(or below), upon the approval from the Board of Directors, the outstanding preference share shall be converted into the Bank’s ordinary shares in part or full at a pre-determined mandatory conversion price so as to bring the Bank’s core tier 1 capital adequacy ratio back to above 5.125%;

2、When any triggering event of the Bank’s tier 2 capital instruments occurs, the outstanding preference shares shall be converted to the Bank’s ordinary A shares at the pre-determined mandatory conversion price.

Under the approval from regulatory authority, the outstanding preference shares will be fully or partially converted to ordinary A-shares at the price of RMB 7.62 per share when meeting the mandatory conversion triggering conditions. If the Bank subsequently appropriates bonus shares, transfers retained earnings to ordinary shares, issues new ordinary shares (excluding any increase of ordinary shares due to conversion of convertible financial instruments issued by the Bank, such as preference shares and convertible bonds, etc.) or issue rights, the conversion price shall be adjusted subject to the terms and formula provided by the offering documents to adjust for the dilutive effects of these specified increases in ordinary shares.

Pursuant to the relevant laws and regulations, and the Approval from CBIRC on the Bank’s Non-Public Offering of Preference Shares and Corresponding Revisions to the Article of Association (YJF[2014]No.564), the proceeds from the issuance of preference shares shall be used to supplement the other tier 1 capital of the Bank.

Upon liquidation, the holders of the Bank’s preference shares are entitled to the repayment at the par value of the outstanding preference shares prior to any distribution to the holders of the Bank’s ordinary shares. If the remaining assets of the Bank are not sufficient to cover the par value, they are allocated to the holders of preference shares on proportionate basis.

(b) The Bank issued “2019 Perpetual bond of the Shanghai Pudong Development Bank Co., Ltd. ” (RMB 30 billion) and “2020 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd.” (RMB 50 billion) in the inter-bank market on July 2019 and November 2020 respectively, which were all accounted for as other equity instruments after deducting issuance expenses .The duration of this Perpetual bond was consistent with the duration of the Bank's continuing operations. The Bank shall have the right to redeem the Perpetual bondin whole or in part on the fifth distribution payment date since the issuance, provided that prerequisite for redemption is met and such redemption is approved by the CBIRC, and the bond investors have no right to request the Bank to redeem the capital bonds with unfixed terms. The Bank shall have the right to cancel, in whole or in part, distributions on the Perpetual bond

Pursuant to applicable laws and regulations and the “China Banking and Insurance Regulatory Commission's Reply on the Issuance of Unfixed-Term Capital Bonds by SPDB” (Yinbao Jianfu [2019] No. 596) and the “China Banking and Insurance Regulatory Commission's Reply on the Issuance of Unfixed-Term Capital Bonds by SPDB” (Yinbao Jianfu [2020] No. 595), the funds raised from Perpetual bond are used to supplement other Tier 1 capital of the Bank.

The compensation order of the Perpetual bond is behind of depositors, general creditors and subordinated debts that are prior than the capital bonds with unfixed terms, and ahead of all types of shares held by shareholders of the Bank; the Perpetual bond will be compensated in the same order with other Tier 1 capital instruments which have the same compensation order.

As for the “2019 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd.”, the Bank has the right to write down the bonds without obtaining the consent of the Perpetual bondinvestor when the Bank triggers the following trigger events as deemed by the CBIRC or relevant departments and obtains regulatory approval.

1. Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Perpetual bondissued and existing at that time in accordance with the total par value, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%.

2. When any triggering event of the Bank’s tier 2 capital instruments occurs, the Bank has the right to write down all the above Perpetual bondissued and existing at that time in accordance with the total par value without the consent of the bondholders.

As for the “2020 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd.”, if the trigger events does not occurr, the Bank has the right to write down the bonds without obtaining the consent of the bond holder.

No occurrence of trigger events refers to the earlier of the below situation: (1) CBIRC determines that the issuer will not survive without written-off; or (2) the relevant departments determine that the issuer will not survive without the capital contribution from public sector or equivalent support.

31 Capital reserves

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Share premium	81,691	81,690	81,691	81,690
Other capital surplus				
- Capital increase of subsidiaries	50	50	-	-
- Others	21	21	21	21
Total	81,762	81,761	81,712	81,711

As mentioned in Note III. 26(19), with the approval of the CBIRC and other relevant institutions, the Bank publicly issued A-share convertible corporate bonds with a face value of RMB 50 billion in 2019. As of December 31, 2021, about RMB 1,290,000 of convertible corporate bonds had been converted into A-share ordinary shares, accumulatively increasing the bank's share capital to 87,609 shares, and increasing the Bank's share capital premium accordingly.

32 Surplus reserves

The Group and The Bank

	1 January 2021	Addition	31 December 2021
Statutory reserve	22,206	-	22,206
Discretionary reserve	120,533	16,553	137,086
Total	142,739	16,553	159,292

	1 January 2020	Addition	31 December 2020
Statutory reserve	22,206	-	22,206
Discretionary reserve	103,599	16,934	120,533
Total	125,805	16,934	142,739

Pursuant to related PRC regulations, the Bank is required to appropriate 10% of its annual net profit to a statutory reserve until such reserve has reached 50% of ordinary shares. After the appropriation of statutory reserve, the Bank may further appropriate discretionary reserve.

33 General risk reserve

The Group

	1 January 2021	Addition	31 December 2021
General risk reserve	79,640	11,353	90,993

	1 January 2020	Addition	31 December 2020
General risk reserve	76,249	3,391	79,640

The Bank

	1 January 2021	Change	31 December 2021
General risk reserve	78,000	11,000	89,000

	1 January 2020	Change	31 December 2020
General risk reserve	74,900	3,100	78,000

Pursuant to Caijin [2012] No. 20 “Administration Rules on Appropriation to General Risk Reserve for Financial Institutions” issued by MOF, the Bank is required to make appropriation to a general risk reserve.

General risk reserve of the Group also includes appropriation of the Bank’s subsidiaries required by industry or district regulations.

34 Other reserves

The Group

		for the year from 1 January 2021 to 31 December 2021					
	Opening balance of other comprehensive income attributable to the Bank's Shareholders	Transfer in before tax	Less：transfer out	Less：income tax	Attributable to the Bank after tax	Attributable to minority shareholders after tax	Ending balance of other comprehensive income attributable to the Bank's Shareholders
Items that may be reclassified to profit or loss							
Debt instruments measured at FVOCI							
- Fair value changes	1,479	669	(1,214)	108	(440)	3	1,039
- Impairment allowance	2,081	(779)	(64)	170	(664)	(9)	1,417
Exchange differences from the translation of foreign operations	85	(101)	-	-	(100)	(1)	(15)
Cash flow hedge reserve	(3)	31	-	(2)	20	9	17
Others	-	1	-	-	1	-	1
Item that will not be reclassified to profit or loss							
Change in fair value of other equity instruments							
- Fair value changes	334	38	-	(10)	28	-	362
	3,976	(141)	(1,278)	266	(1,155)	2	2,821

	Opening balance of other comprehensive income attributable to the Bank's Shareholders	for the year from 1 January 2020 to 31 December 2020					Ending balance of other comprehensive income attributable to the Bank's Shareholders
		Transfer in before tax	Less：transfer out	Less：income tax	Attributable to the Bank after tax	Attributable to minority shareholders after tax	
Items that may be reclassified to profit or loss							
Debt instruments measured at FVOCI							
- Fair value changes	5,000	(1,936)	(2,741)	1,148	(3,521)	(8)	1,479
- Impairment allowance	1,334	937	-	(182)	747	8	2,081
Exchange differences from the translation of foreign operations	255	(184)	-	-	(170)	(14)	85
Cash flow hedge reserve	(1)	(5)	-	1	(2)	(2)	(3)
Item that will not be reclassified to profit or loss							
Change in fair value of other equity instruments							
- Fair value changes	679	(460)	-	115	(345)	-	334
	7,267	(1,648)	(2,741)	1,082	(3,291)	(16)	3,976

The Bank

	Opening balance of other comprehensive income	for the year from 1 January 2021 to 31 December 2021 Transfer in before tax	Less： transfer out	Less： income tax	After tax	Ending balance of other comprehensive income
Items that may be reclassified to profit or loss						
Financial investments measured at FVOCI						
- Fair value changes	1,676	1,007	(1,143)	34	(102)	1,574
- Impairment allowance	1,368	(523)	(64)	148	(439)	929
Exchange differences from the translation of foreign operations	(31)	7	-	-	7	(24)
Cash flow hedge reserve	2	6	-	(1)	5	7
Others	-	1	-	-	1	1
Item that will not be reclassified to profit or loss						
Change in fair value of other equity instruments						
- Fair value changes	334	38	-	(10)	28	362
	3,349	536	(1,207)	171	(500)	2,849

	Opening balance of other comprehensive income	for the year from 1 January 2020 to 31 December 2020				Ending balance of other comprehensive income
		Transfer in before tax	Less： transfer out	Less： income tax	After tax	
Items that may be reclassified to profit or loss						
Financial investments measured at FVOCI						
- Fair value changes	5,077	(2,047)	(2,487)	1,133	(3,401)	1,676
- Impairment allowance	884	645	-	(161)	484	1,368
Exchange differences from the translation of foreign operations	30	(61)	-	-	(61)	(31)
Cash flow hedge reserve	-	3	-	(1)	2	2
Item that will not be reclassified to profit or loss						
Change in fair value of other equity instruments						
- Fair value changes	679	(460)	-	115	(345)	334
	6,670	(1,920)	(2,487)	1,086	(3,321)	3,349

35 Profit appropriations

(1) Profit distribution for the year ended 31 December 2020

Pursuant to the approval at the Shareholders' meeting on 11 June 2021, the Bank's profit distribution plan for the year ended 31 December 2020 is as follows:

(i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 16,553 million;

(ii) Appropriate RMB 11 billion as general reserve;

(iii) The Bank declared and distributed cash dividends of RMB 4.8 (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution.

(2) Profit distribution for the year ended 31 December 2019

Pursuant to the approval at the Shareholders' meeting on 19 June 2020, the Bank's profit distribution plan for the year ended 31 December 2019 is as follows:

(i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 16,934 million;

(ii) Appropriate RMB 3.1 billion as general reserve;

(iii) The Bank declared and distributed cash dividends of RMB 6 (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution.

(3) Dividend distribution for preference shares

On 19 November 2021, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 837 million in total (tax included) on 3 December 2021, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 24 February 2021, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 721.5 million in total (tax included) on 11 March 2021, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

On 18 November 2020, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 837 million in total (tax included) on 3 December 2020, which were calculated according to the rate of Pufayou 1 (5.58%).

On 2 February 2020, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 825 million in total (tax included) on 11 March 2020, which were calculated according to the rate of Pufayou 2 (5.5%).

(4) Interests payment of capital bonds with unfixed terms

In November 2021, the Bank has declared the distribution of RMB 2.375 billion of interests of prepertual bonds according to the relevant terms of issuance of the 2020 capital bonds with unfixed terms.

In July 2021, the Bank has declared the distribution of RMB 1.419 billion of interests of prepertual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

In July 2020, the Bank has declared the distribution of RMB 1.419 billion of interests of prepertual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

36 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets.

Assets backed securitization transaction

For the year ended 31 December 2021, the Group transferred financial assets amounted to RMB 18,464 million through assets backed securitization transactions, and all have met the requirement of derecognition (For the year ended 31 December 2020, the Group transferred financial assets amounted to RMB 23,948 million through assets backed securitization transactions, and all have met the requirement of derecognition).

As at 31 December 2021, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 35,874 million (31 December 2020: RMB 22,276 million) to securitised entities. The Group neither transfers nor retains substantially all of the risks and rewards related to ownership of the credit assets, but it retains control over the credit assets. The Group will recognise the assets on the balance sheet according to the degree of its continued involvement, and the rest will be derecognised. As at 31 December 2021, the assets value of the Group’s continued recognition was RMB 4,650 million (31 December 2020: RMB 2,639 million).

Transfer of loans assets

For the year ended 31 December 2021, the Group directly transferred and derecognized a total amount of RMB 8,514 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition (For the year ended 31 December 2020, the Group directly transferred and derecognized a total amount of RMB 9,674 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition).

Securities lending transaction

In the securities lending transaction, the counterparty may sell or re-use the above securities in the condition that no default exists, but at the same time bear the obligation to return the above securities on the expiration date specified in the agreement. For the above business, the Group believes that the Group retains most of the risks and rewards of the relevant securities and therefore does not derecognize the relevant securities. As at 31 December 2021, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 40,639 million (31 December 2020: RMB 39,680 million).

37 Involvement with unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an Interest

The Group directly holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include fund investment, capital trust and asset management plans, ABS and other investments, the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

	The Group	
Carrying amount	31 December 2021	31 December 2020
Financial investments measured at FVTPL		
Fund investments	398,560	428,491
Capital trust and asset management plans	14,720	14,739
ABS	6,518	459
Wealth management products of other banks	10	-
Other investments	6,467	5,971
Financial investments measured at amortised cost		
Capital trust and asset management plans	433,573	360,756
ABS	127	280
Financial investments measured at FVOCI		
Asset management plans	9,198	44,424
ABS	5,134	7,818
Other equity investment	828	817

The maximum exposures to loss in the above capital trust and asset management plans are the amortised cost or fair value of the assets held by the Group at the reporting date. The maximum exposures to loss in the fund investment and other investments are the fair value of the assets held by the Group at the reporting date.

(2) Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, trust plan, fund investment and ABS. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2021, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2021, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, were RMB 1,170,405 million (31 December 2020: RMB 1,345,500 million) respectively.

During the year of 2021, the amount of the average exposure of financing transactions through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB Nil million (2020: RMB 59 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

As at 31 December 2021, the amount of assets held by the unconsolidated capital trust and asset management plans, which are sponsored by the Group, were RMB 387,901 million (31 December 2020: RMB 470,837 million) respectively.

As at 31 December 2021, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 265,135 million (31 December 2020: RMB 369,633 million) respectively.

As at 31 December 2021, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 197,136 million (31 December 2020: RMB 108,034 million) respectively.

(3) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2021

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB 6,369 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB 65,445 million).

The total amount of ABS issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB 593 million (The total amount of ABS issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB 625 million).

There was no trust plans or investments in funds issued by the Group after 1 January 2021 and expired before 31 December 2021.

In 2021, the income earned by the group in the above-mentioned structured entities is not significant (2020: not significant).

38 Interests in other entities

(1) Interests in major subsidiaries

(i) Major subsidiaries of the Group

Name of subsidiaries	***Place of main business***	***Place of registration***	***Obtaining method***	***Share-holding percentage (direct)***
SPDB Financial Leasing Co., Ltd.	Shanghai	Shanghai	Establishment	61.02%
Shanghai International Trust Co., Ltd.	Shanghai	Shanghai	Acquisition	97.33%
SPDB International Holding, Ltd.	Hong Kong	Hong Kong	Acquisition	100.00%
Mianzhu SPD Rural Bank Co., Ltd.	Mianzhu, Sichuan	Mianzhu, Sichuan	Establishment	55.00%
Liyang SPD Rural Bank Co., Ltd.	Liyang, Jiangsu	Liyang, Jiangsu	Establishment	51.00%
Gongyi SPD Rural Bank Co., Ltd.	Gongyi, Henan	Gongyi, Henan	Establishment	51.00%
Fengxian SPD Rural Bank Co., Ltd.	Fengxian, Shanghai	Fengxian, Shanghai	Establishment	51.00%
Zixing SPD Rural Bank Co., Ltd.	Zixing, Hunan	Zixing, Hunan	Establishment	51.00%
Chongqing Banan SPD Rural Bank Co., Ltd.	Banan, Chongqing	Banan, Chongqing	Establishment	51.00%
Zouping SPD Rural Bank Co., Ltd.	Zouping, Shandong	Zouping, Shandong	Establishment	51.00%
Zezhou SPD Rural Bank Co., Ltd.	Jincheng, Shanxi	Jincheng, Shanxi	Establishment	51.00%
Dalian Ganjingzi SPD Rural Bank Co., Ltd.	Ganjingzi, Liaoning	Ganjingzi, Liaoning	Establishment	51.00%
Hancheng SPD Rural Bank Co., Ltd.	Hancheng Shaanxi	Hancheng Shaanxi	Establishment	51.00%
Jiangyin SPD Rural Bank Co., Ltd.	Jiangyin, Jiangsu	Jiangyin, Jiangsu	Establishment	51.00%
Pingyang SPD Rural Bank Co., Ltd.	Pingyang, Zhejiang	Pingyang, Zhejiang	Establishment	51.00%
Xinchang SPD Rural Bank Co., Ltd.	Xinchang, Zhejiang	Xinchang, Zhejiang	Establishment	51.00%
Yuanjiang SPD Rural Bank Co., Ltd.	Yuanjiang, Hunan	Yuanjiang, Hunan	Establishment	51.00%
Chaling SPD Rural Bank Co., Ltd.	Zhuzhou, Hunan	Zhuzhou, Hunan	Establishment	51.00%
Linchuan SPD Rural Bank Co., Ltd.	Fuzhou, Jiangxi	Fuzhou, Jiangxi	Establishment	51.00%
Linwu SPD Rural Bank Co., Ltd.	Chenzhou, Hunan	Chenzhou, Hunan	Establishment	51.00%
Hengnan SPD Rural Bank Co., Ltd.	Hengyang, Hunan	Hengyang, Hunan	Establishment	51.00%
Haerbin Hulan SPD Rural Bank Co., Ltd.	Haerbin, Heilongjiang	Haerbin, Heilongjiang	Establishment	51.00%
Gongzhuling SPD Rural Bank Co., Ltd.	Siping, Jilin	Siping, Jilin	Establishment	51.00%
Yuzhong SPD Rural Bank Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	Establishment	51.00%
Fumin SPD Rural Bank Co., Ltd.	Fumin, Yunnan	Fumin, Yunnan	Establishment	51.00%
Ningbo Haishu Rural Bank Co., Ltd.	Ningbo, Zhejiang	Ningbo, Zhejiang	Establishment	51.00%
Urumchi Midong SPD Rural Bank Co., Ltd.	Urumchi, Xinjiang	Urumchi, Xinjiang	Establishment	51.00%
Tianjin Baodi SPD Rural Bank Co., Ltd.	Baodi, Tianjin	Baodi, Tianjin	Establishment	49.00%
Chongqing Tongliang SPD Rural Bank Co., Ltd	Tongliang, Chongqing	Tongliang, Chongqing	Establishment	51.00%
Qianxinan yilong SPD Rural Bank Co., Ltd.	Yilong, Guizhou	Yilong, Guizhou	Establishment	51.00%
Fufeng SPD Rural Bank Co., Ltd.	Baoji, Shaanxi	Baoji, Shaanxi	Establishment	51.00%

In accordance with relevant conventions entered into by the Bank and other shareholders of Baodi Tianjin SPD Rural Bank Co., Ltd., the Bank owns 51% voting rights in Baodi Tianjin SPD Rural Bank Co., Ltd, and therefore is able to control Baodi Tianjin SPD Rural Bank Co., Ltd..

All subsidiaries are unlisted and consolidated in the Bank's consolidated financial statements.

(ii) Relevant information of major partly-owned subsidiaries

After individual assessment, the Group concluded that no subsidiary has non-controlling interest that is material to the Group.

(2) Interests in joint ventures and associates

(i) General information of major joint ventures and associates

Name of the investee	***Note***	***Place of main business***	***Place of registration***	***Strategic investment***	***Share-holding percentage (Direct)***	***Business nature***
Joint ventures:						
AXA SPDB Investment Managers Co., Ltd.	(a)	Shanghai	Shanghai	Y	51%	Financial industry
SPD Silicon Valley Bank Co., Ltd.		Shanghai	Shanghai	Y	50%	Financial industry

Equity investments above-mentioned are all accounted for by equity method.

(a) According to the Articles of Association of AXA SPDB Investment Managers Co., Ltd., resolutions on certain significant operations and finance decisions shall be approved by shareholders representing more than two-thirds voting shares. These resolutions are involved with the Company's strategic plans, investment plans, authorization on the Board of Directors for approval of annual financial budget and settlement plans, approval of profit appropriations and plans to cover accumulated losses, and approval of equity transfers and modification of the Articles of Association, etc. Although the Group owns 51% voting shares of AXA SPDB Investment Management Co., Ltd., it has to exercise influences over the company jointly with other major shareholders.

(ii) Key financial information of major joint ventures and associates

The Group's joint ventures and associates are all unlisted companies. The Group is of the view that these joint ventures and associates are not material to the Group in terms of their aggregated net profit and net assets.

IV SEGMENT REPORTING

Top management of the Group reviews the performance of the Bank's branches and subsidiaries in different economic regions from geographic perspective. The branches and subsidiaries of the Bank mainly provide services to local customers domiciled in respective geographic areas, therefore operating segments are analysed principally based on the location of the assets.

The operating segments' principal income are mainly from various commercial and investment banking services, including deposits and loans, discounted bills, trade finance, inter-bank money market and investments etc.

The Group's operating segments of different regions are set out as follows:

Headquarter:	Headquarters (including the direct institutions under headquarters and the branches)
Yangtze River Delta:	Branches in Shanghai, Jiangsu, Zhejiang, Anhui
Pearl River Delta and West Side of Taiwan Strait:	Branches in Guangdong and Fujian
Bohai Rim:	Branches in Beijing, Tianjin, Hebei and Shandong
Central China:	Branches in Shanxi, Henan, Hubei, Hunan, Jiangxi and Hainan
Western China:	Branches in Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongoli and Tibet
North-east China:	Branches in Liaoning, Jilin and Heilongjiang
Overseas and subsidiaries:	Overseas branches and domestic and overseas Subsidiaries

	For the year from 1 January 2021 to 31 December 2021									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Interest income	125,008	86,125	32,841	40,724	29,620	27,998	9,274	9,131	(60,028)	300,693
Including:										
External interest income	112,699	65,294	24,582	26,575	29,458	25,039	8,413	8,633	-	300,693
Internal interest income	12,309	20,831	8,259	14,149	162	2,959	861	498	(60,028)	-
Interest expense	(83,766)	(49,695)	(21,428)	(26,759)	(13,817)	(18,583)	(5,546)	(5,169)	60,028	(164,735)
Including:										
External interest expense	(64,225)	(41,349)	(12,327)	(20,525)	(9,736)	(7,358)	(4,500)	(4,715)	-	(164,735)
Internal interest expense	(19,541)	(8,346)	(9,101)	(6,234)	(4,081)	(11,225)	(1,046)	(454)	60,028	-
Net interest income	41,242	36,430	11,413	13,965	15,803	9,415	3,728	3,962	-	135,958
Net fee and commission income	19,495	2,297	2,085	823	(424)	(166)	200	4,824	-	29,134
Net trading income	15,392	1,251	363	653	376	419	86	1,575	-	20,115
Net gains arising from financial investments	2,332	-	-	-	-	-	-	(56)	-	2,276
Other operating income	135	151	25	106	35	84	10	2,871	-	3,417
Operating expenses	(17,395)	(11,313)	(3,862)	(5,264)	(3,803)	(4,663)	(1,882)	(5,526)	-	(53,708)
Impairment losses	(30,718)	(6,144)	(3,185)	(4,397)	(3,967)	(24,940)	(3,739)	(1,254)	-	(78,344)
Share of profits associates and joint ventures	190	-	-	-	-	-	-	33	-	223
Total segment profit / (loss) before tax	30,673	22,672	6,839	5,886	8,020	(19,851)	(1,597)	6,429	-	59,071

	31 December 2021									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	568,205	1,464,815	567,961	608,632	544,401	570,532	194,080	174,862	(2,534)	4,690,954
Total segment assets	3,994,931	2,305,152	698,256	984,964	571,081	602,101	236,826	380,013	(1,636,567)	8,136,757
Deposits from customers	142,215	1,882,049	575,921	777,332	447,288	368,530	182,747	88,819	(1,293)	4,463,608
Total segment assets	3,364,271	2,282,428	691,343	978,645	562,974	622,151	238,382	354,912	(1,636,567)	7,458,539
Net position of segment assets and liabilities	630,660	22,724	6,913	6,319	8,107	(20,050)	(1,556)	25,101	-	678,218

	For the year from 1 January 2020 to 31 December 2020									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Interest income	258,764	147,720	45,593	56,612	44,048	37,794	15,584	10,645	(321,775)	294,985
Including:										
External interest income	115,814	61,512	22,009	25,674	27,827	23,303	9,089	9,757	-	294,985
Internal interest income	142,950	86,208	23,584	30,938	16,221	14,491	6,495	888	(321,775)	-
Interest expense	(213,208)	(111,269)	(35,038)	(42,536)	(28,678)	(28,914)	(11,280)	(7,256)	321,775	(156,404)
Including:										
External interest expense	(62,735)	(38,580)	(11,846)	(17,395)	(8,652)	(6,556)	(4,117)	(6,523)	-	(156,404)
Internal interest expense	(150,473)	(72,689)	(23,192)	(25,141)	(20,026)	(22,358)	(7,163)	(733)	321,775	-
Net interest income	45,556	36,451	10,555	14,076	15,370	8,880	4,304	3,389	-	138,581
Net fee and commission income	24,608	1,176	1,703	955	(154)	516	529	4,613	-	33,946
Net trading income	12,730	282	417	461	332	240	19	3,139	-	17,620
Net gains arising from financial investments	3,208	-	-	-	-	-	-	11	-	3,219
Other operating income	235	135	65	97	36	100	14	2,373	-	3,055
Operating expenses	(16,592)	(10,705)	(3,429)	(4,941)	(3,783)	(4,102)	(1,871)	(5,002)	-	(50,425)
Impairment losses	(33,555)	(4,966)	(711)	(3,859)	(9,200)	(23,270)	(1,480)	(2,512)	-	(79,553)
Share of profits associates and joint ventures	130	-	-	-	-	-	-	16	-	146
Total segment profit / (loss) before tax	36,320	22,373	8,600	6,789	2,601	(17,636)	1,515	6,027	-	66,589

	31 December 2020									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	622,092	1,365,333	491,756	562,422	519,030	525,264	179,284	165,749	(702)	4,430,228
Total segment assets	4,104,531	2,193,480	636,595	901,649	567,591	574,494	229,368	373,707	(1,623,258)	7,958,157
Deposits from customers	121,828	1,739,815	535,105	680,717	423,622	340,547	188,168	94,352	(1,747)	4,122,407
Total segment assets	3,505,983	2,170,863	627,999	894,693	564,949	592,335	227,855	351,522	(1,623,258)	7,312,941
Net position of segment assets and liabilities	598,548	22,617	8,596	6,956	2,642	(17,841)	1,513	22,185	-	645,216

V CONTINGENCIES AND COMMITMENTS

1 Credit commitments

The Group's credit commitments are listed as follows:

	31 December 2021	31 December 2020
Bank acceptance bills	617,735	553,527
Letters of credit issued	192,522	176,517
Letters of guarantee issued	113,363	112,564
Credit cards and loan commitments	647,121	525,923
Total	1,570,741	1,368,531

2 Commitment on redemption of certificate treasury bonds

The Group is entrusted by the MOF to underwrite certificate treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest at the redemption date.

As at 31 December 2021, the outstanding principal value of the treasury bonds sold by the Group amounted to RMB 2,921 million (31 December 2020: RMB 4,025 million).

The MOF will not provide funding for the early redemption of these treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The management expects the amount of the bonds of which redemption is through the Group before the maturity dates will not be material.

3 Capital commitments

As at 31 December 2021, the major capital commitments the Group had signed but not paid amounted to RMB 10,141 million (31 December 2020: RMB 3,879 million). Additionally, as at 31 December 2021, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had signed but not paid was RMB 5,331 million (31 December 2020: RMB 6,218 million).

As at 31 December 2021, the major capital commitments the Group had approved but not signed amounted to RMB 5,131 million (31 December 2020: RMB 3,595 million). Additionally, as at 31 December 2021, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had approved but not signed was RMB 506 million (31 December 2020: RMB 177 million).

4 Legal proceedings

As at 31 December 2021, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 148 and 198, respectively. The corresponding amount involved was about RMB 1,371 million and RMB 511 million, respectively, the possibility of loss for other cases were assessed as not large.(As at 31 December 2020, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 148 and 126, respectively. The corresponding amount involved was about RMB 1,746 million and RMB 677 million, respectively. The Group assessed the possibility of loss from reparations being not large, so in addition to the estimated loss of RMB 520 million for individual cases, the possibility of compensation for other cases is not expected).

VI FIDUCIARY BUSINESSES

The Group provides safe-keeping and entrusted loan businesses to independent third party customers. The assets arising from these businesses are not recorded on the Group's balance sheet. As at 31 December 2021, the balance of entrusted loan business was RMB 76,427 million (As at 31 December 2020: RMB 107,147 million).

VII RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1 Major shareholders holding more than 5% shares of the Bank

As at 31 December 2021 and 31 December 2020, major shareholders holding more than 5% ordinary shares of the Bank are as follows:

	Direct shareholding percentage	Major business
Shanghai International Group Co., Ltd.	21.57%	Investment management
China Mobile Group Guangdong Company Limited	18.18%	Mobile and Communication
Funde Sino Life Insurance Co., Ltd. – Traditional	9.47%	Insurance Business
Funde Sino Life Insurance Co., Ltd. – Capital	6.01%	Insurance Business

2 Other shareholders who exert significant influence on the Bank

As of December 31, 2021 and 2020, other shareholders exerting significant influence on the Bank include：

	Major Business
China National Tobacco Corporation Jiangsu Branch	Tobacco products

3 Subsidiaries

For general information of the Group's subsidiaries, please refer to Note III.38(2) "Interests in other entities".

4 Joint ventures and associates

For general information of the joint ventures and associates, please refer to Note III. 38(2) "Interests in other entities".

5 Other major related parties

Other related parties mainly include respective group companies of shareholders who hold 5% , other substantial shareholders and the group to which they belong that have significant influence on the Group, key management personnel of the Bank (including the directors, supervisors and senior executives) and their close family members, and the companies that are controlled or jointly controlled by these key management personnel and their close family members, or the companies in which key management personnel and their close family members serve as directors or senior executives.
Additionally, in accordance with relevant regulations, the Bank has reported to the Shanghai Stock Exchange on the exemption from disclosure of the transactions between the Bank and its independent directors and companies in which its external supervisors have part-time positions.

6 Transactions and balances with related parties

The amounts of material transactions between the Group and its related parties and related balances at the balance sheet date are summarised as follows：

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2021 to 31 December 2021 are listed below：							
Interest income	-	3	79	66	1	149	0.05%
Interest expense	(527)	(27)	(1,194)	(505)	(1)	(2,254)	1.37%
Net Fee and commission income	1	124	4	5	-	134	0.34%
Net trading income	-	(14)	-	103	-	89	0.44%
Share of profits associates and joint ventures	-	223	-	-	-	223	100.00%
Operating expenses	(7)	-	(109)	-	-	(116)	0.22%
Other comprehensive income	-	-	-	(17)	-	(17)	1.47%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2021：							
Deposits and placements with banks and other financial institutions	-	-	426	1,559	-	1,985	0.46%
Loans and advances to customers	-	-	1,191	1,843	19	3,053	0.07%
Derivative financial assets	-	1	-	607	-	608	1.80%
Financial investments measured at:							
- Financial investments measured at FVTPL	-	-	1	1,587	-	1,588	0.30%
- Financial investments mearsured at amortized cost	-	-	-	449	-	449	0.03%
- FVOCI	-	-	-	1,572	-	1,572	0.32%
Investments in associates and Joint Ventures	-	2,819	-	-	-	2,819	100.00%
Deposits and placements from banks and other financial institutions	-	(1,563)	(28,154)	(8,435)	-	(38,152)	3.45%
Derivative financial liabilities	-	(13)	-	(391)	-	(404)	1.37%
Deposits from customers	(3,614)	(3,882)	(71,961)	(21,639)	(24)	(101,120)	2.27%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant off-balance item at 31 December 2021							
Letters of guarantee issued	-	-	51	-	-	51	0.04%
Credit card commitment	-	-	-	-	12	12	0.01%
Fiduciary businesses	-	-	82	-	-	82	0.11%
Guarantees provided for credit business	-	-	2,224	2,749	-	4,973	0.18%
Bank acceptance bills	-	-	19	-	-	19	0.00%
Investment of funds for issuing financial products	-	-	-	2,006	-	2,006	0.17%

Note1: as of 31 December 2021, key management of the Bank possessed a total number of 1,290,600 shares of common stock issued by the Bank. During the first half of 2021, key management has obtained relavent cash dividends of their shares.

Note2: On 31 December 2021, Shanghai International Group Co., Ltd. and its subsidiaries hold a total of 8.67% of shares of convertible corporate bonds issued by the Bank and China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank.

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2020 to 31 December 2020 are listed below：							
Interest income	-	-	66	53	1	120	0.04%
Interest expense	(643)	(61)	(1,038)	(336)	(1)	(2,079)	1.33%
Net Fee and commission income	-	359	20	22	-	401	0.91%
Net trading income	-	-	-	24	-	24	0.14%
Share of profits associates and joint ventures	-	146	-	-	-	146	100.00%
Operating expenses	(7)	-	(218)	-	-	(225)	0.45%
Other comprehensive income	-	-	-	1	-	1	-0.03%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2020：							
Deposits and placements with banks and other financial institutions	-	-	2,356	1,618	-	3,974	1.03%
Loans and advances to customers	-	-	848	1,099	19	1,966	0.04%
Derivative financial assets	-	1	-	471		472	0.74%
Financial investments measured at:							
- FVOCI	-	-	-	446	-	446	0.08%
Investments in associates and Joint Ventures	-	2,401	-	-		2,401	100.00%
Deposits and placements from banks and other financial institutions	-	(1,353)	(43,134)	(6,016)	-	(50,503)	3.70%
Derivative financial liabilities	-	-	-	(357)	-	(357)	0.58%
Deposits from customers	(6,533)	(551)	(45,166)	(8,924)	(33)	(61,207)	1.48%
Significant off-balance item at 31 December 2020							
Letters of guarantee issued	-	-	15	-	-	15	0.01%
Credit card commitment	-	-	-	-	15	15	0.01%
Fiduciary businesses	-	-	97	1,600	-	1,697	1.58%
Guarantees provided for credit business	-	2	2,371	963	-	3,336	0.12%
Investment of funds for issuing financial products	-	-	960	2,700	-	3,660	0.25%

Note1: as of 31 December 2020, key management of the Bank possessed a total number of 855,100 shares of common stock issued by the Bank. During the first half of 2020, key management has obtained relavent cash dividends of their shares.

Note2: On 31 December 2020, Shanghai International Group Co., Ltd. and its subsidiaries hold a total of 8.69% of shares of convertible corporate bonds issued by the Bank and China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank.

7 Related parties that are controlled by the Bank

Related parties that are controlled by the Bank are the subsidiaries of the Bank. Major transactions with these subsidiaries and their balances are eliminated in the consolidated financial statements, and are summarised as follows:

Balances at the year end：	31 December 2021	31 December 2020
Deposits and placements with banks and other financial institutions	2,559	5,123
Loans and advances to customers	1,388	702
Deposits and placements from banks and other financial institutions	8,473	10,155
Deposits from customers	1,293	1,747
Others	32	23

Transactions during the year：	2021	2020
Interest income from deposits and placemets from banks and other financial institutions	49	166
Interest income from loans and advances to customers	60	31
Interest expenses on deposits from banks and other financial institutions	265	250
Interest expenses on deposits from customers	12	68
Fee and commission income	54	66
Fee and commission expense	111	126
Other income	-	2

8 Compensation of key management personnel

Key management personnel are those people having authority and responsibility for planning, directing, and controlling the activities of the Group, either directly or indirectly, including directors, supervisors and senior executives.

Compensation of key management personnel for the respective periods (excluding the social insurance charges paid by the Bank) is as follows:

	2021	2020
Compensation of key management personnel	22	39

The Compensation of key management personnel are remuneration without social insurance paid in 2021 to the directors, supervisor and senior management of the Bank in past 12 months or will do so in the next 12 months according to the relevant contract arrangement.

9 Transactions with the annuity plan

In terms of the enterprise annuity funds established by the Group, in addition to the normal contribution, there has been no other related party transactions during the reporting period.

10 Major credit related transactions to related parties

Major credit related transactions to related parities refer to transactions in which the amount of a single transaction between the Bank and a related party accounts for more than 1% of the latest audited net assets of the Bank, or the transaction balance between the Bank and a related party accounts for more than 5% of the latest audited net assets of the Bank

In 2021, the newly added major credited related transationsbetween the Bank and related parties outside the Group are as follows (excluding counterparties who have been applied for exemption from disclosure to the Shanghai Stock Exchange:

Related Parties	Total credit limit to related partiesand other companies in their group
Guotai Junan Securities Co., Ltd.	24,600
Shanghai Jiushi (Group) Co., Ltd.	24,500
Sheneng (Group) Co., LTD	20,000
Orient Securities Co., Ltd.	19,500
Shanghai International Group Co., Ltd.	15,500
Bailian Group Co., Ltd.	13,000

For details of major credit related transactions, please refer to the relevant resolutions of the board of directors publicly disclosed by the Bank.

VIII FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its operating activities. The Group analyses, evaluates, accepts and manages certain degree of risks or risk portfolios. Managing financial risk is critical to the financial industry, and the inherent risks is an inevitable consequence of business operation. The Group’s aim is therefore to strike an appropriate balance between risk and return and minimise potential adverse impact on the Group’s financial performance.

The Group has designed a series of risk management policies to identify and analyse these risks, so as to set appropriate risk limits and formulate control procedures. It has also monitored the risks and their limits through reliable information systems.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk mainly consists of foreign currency risk, interest rate risk and commodity price risk.

The Board of Directors of the Bank is responsible for determining the Group's overall risk appetite. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk.
After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for the implementation.

1 Credit risk

Credit risk is the risk that a customer or counterparty may fail or be unwilling to fulfil an obligation or commitment to the Group resulting in a financial loss. Credit risk is higher when counterparties are concentrated in single industry or geographic region, because various counterparties in the same industry or geographic region could be adversely affected by the same economic factors, which ultimately affect their repayment ability.

(1) Credit risk management

(i) Loans

The Group manages, restricts and controls the concentration of credit risk identified, especially with regards to concentration on singular counterparty, group, industry and region.

The Group continuously optimizes the credit risk structure by setting limits on the borrower, group of borrowers, geographical and industry segments. Concentration risks are monitored on ongoing basis and subject to an annual or more frequent review where necessary.

The Group manages the exposure to credit risk through regular analysis of borrowers' ability to repay principal and interest payments and amends the credit facilities where appropriate.

The Group has established relevant policies and various measures to mitigate credit risk. Obtaining collateral, pledged assets, guarantee deposits or guarantees from corporates or individuals has been one of the main strategies to control credit risk. The Group provides guidelines on the specific types of acceptable collateral or pledged assets, mainly include the following:

- Residential property and land tenure;
- Commercial assets, such as commercial property, inventory and accounts receivable;
- Financial instruments, such as bonds and equity shares.

Fair value of collaterals or pledged assets is generally assessed by professional evaluation agencies designated by the Group. When there are indications of impairment, the value of collaterals or pledged assets will be re-examined by the Group to assess whether the collaterals or pledged assets could adequately cover the credit risks associated with loans. To mitigate the credit risk, the Group has implemented loan-to-value ratio requirement based on type of collaterals or pledged assets. The main types of collaterals or pledged assets for corporate loans and retail loans and their corresponding maximum loan-to-value ratio are as follows:

Collaterals or pledged assets	Maximum loan-to-value ratio
Time deposits	90% - 100%
Government bonds	90% - 100%
Financial bonds	95%

Corporate bonds (including financial institutions)	80%
Right to collect fees	60% - 70%
Franchise right	50%
Commercial property and standard plant	60%
Residential property	70%
Land tenure	50% - 60%

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience with adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

Management assesses fair value of collaterals or pledged assets based on the latest available external valuation results, and adjusts the fair value with reference to experience, current market conditions and disposal expenses to be incurred.

For loans guaranteed by third parties, the Group evaluates the financial condition and credit record of guarantors and guarantor's ability to meet obligations.

(ii) Bonds and other bills

The Group manages the credit risk exposure of bonds and other bills through mechanisms include controlling the investment scale, setting access list of issuers, rating access, establishing post-investment management, etc. Generally, external credit rating of the issuer of foreign currency bonds at the time of purchase (by Standard & Poor's or equivalent rating agencies) should be at BBB- or above. Overseas investments in RMB bonds are limited to those issuers with external credit rating at BBB+ or above (by rating agencies identified by the PBOC). Rating of domestic middle to long term RMB bonds should be at AA or above (by rating agencies identified by the PBOC) and rating of short term RMB bonds should be at A-1 (by rating agencies identified by the PBOC).

(iii) Other financial assets measured at amortized cost

Other financial assets measured at amortized cost mainly include fund trust and asset management plans. The Group has rating access system on the trust companies, security companies and fund companies with the set credit facility for ultimate investors of trust plans and asset management plans, and performs post-lending management periodically.

(iv) Inter-bank transactions

The Group reviews and manages the credit risk of individual financial institution on regularly basis and sets credit limit for individual bank or non-banking financial institution which has transactions with the Group.

(v) Derivative financial instruments

The Group strictly restricts transactions in derivative financial instruments. For corporate customers, the Group mitigates credit risk associated with derivative financial instruments by acquiring margin deposits.

(vi) Credit commitments

The primary purpose of credit commitments is to ensure that funds are available to customers as required. Letters of guarantee issued, acceptance bills and letters of credit are irrevocable commitments the Group made and the Group will make payments on behalf of its clients in the event that its customer cannot perform the obligations to third parties. Credit commitments carry the same credit risk as loans. When the amount of credit commitment applied exceeds that of the original credit limit of the client, margin deposits are required to mitigate the credit risk. The Group's exposure to the credit risk is equivalent to the total amount of credit commitments. In addition, credit card limit and loan commitments granted by the Group will incur cash outflows when credit card limit and loan commitments are used.

(vii) Trust plan

The credit risk of trust plan entrusted management is mainly the possibility of potential loss to the trust property or inherent property due to the failure of the counterparties to fulfill their commitments and inability or unwillingness to fulfill their contractual commitments.The Group strictly enforces the policy “pre-loan investigation, in-process review, post-lending inspection” over trust plan. In the design of the product trade structure, the Group introduces guarantee mechanism including financial institution credit, property mortgage, rights pledge to comprehensively manages risks through avoidance, prevention, dispersion, transfer and compensation, and disperses and transfers credit risks of financing entities to reduce risk exposure.

(2) Credit risk measurement

The Group has established a five-tier grading system of credit assets to measure and manage the quality of loans and advances to corporate and retail customers according to the “Guidelines for Risk-based Loan Classification” (the “Guideline”) (Yin Jian Fa [2007] No. 54). The Group’s five-tier grading system and the Guideline classify on-balance sheet credit assets into five categories: pass, special-mention, substandard, doubtful and loss, among which loans with the grading of substandard, doubtful and loss are regarded as non-performing loans.

The core definitions of the credit assets classification are as follows:

Pass: The borrower could fulfil the contractual obligation and there is not enough reason to suspect that the principal and interest cannot be repaid in full and on time.

Special Mention: The repayment might be adversely affected by some factors although the borrower currently has the capability to repay the principal and interest.

Substandard: The borrower’s capability to repay is apparently in question and cannot repay the principal and interest in full depending on its operating income. Certain losses might occur even when guarantees are executed.

Doubtful: Cannot repay principal and interest in full and significant losses will occur even when guarantees are executed.

Loss: Principal and interest cannot be recovered or only a very small portion of them can be recovered after taking all possible measures or necessary legal procedures.

(3) ECL measurement

Pursuant to the new accounting standards, the Group divides the loss allowance for expected credit losses on financial assets into three stages:

Stage 1 (no significant increase in credit risk since initial recognition): measure the loss at an amount equal to 12-month ECL;

Stage 2 (significant increase in credit risk since initial recognition): measure the loss allowance at an amount equal to the lifetime ECL; and

Stage 3 (credit- impaired assets): measure the loss allowance at an amount equal to the lifetime ECL.

The Group has developed the impairment model to calculate ECL in accordance with the new accounting standards. A top-down development method was adopted to establish a logistic regression model of risk parameters and macroeconomic indicators such as gross domestic product “GDP” and consumer price index “CPI”. The Group periodically forecasts three kind of macroeconomic scenarios (optimistic, basic and pessimistic) and measures ECL based on different scenarios.

Credit risk grading

The Group uses internal credit risk gradings to reflect assessment of default probability for individual counterparties and applies different internal rating models for different categories of counterparties. Borrowers’ and specific loan related information collected during loan application (such as disposable income, guarantee level for retail exposures; and corporate customers’ revenue and industry) is incorporated into rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models also include expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure to compensate considerations that may not be captured as part of the other data inputs into the model.

The Group does not have financial assets identified as "low risk" and corresponding credit risk management in accordance with new financial instruments standards.

Stage division

Significant increase in credit risk (“SICR”)

The Group assesses on each balance sheet date whether the credit risk of the relevant financial assets has increased significantly since initial recognition. When considering the ECL stage of financial assets, the Group considering all reasonable and supportable information, including that which is forward-looking. The main factors to be considered are regulatory and operational environment, internal and external credit rating, solvency, operational capability, loan contract terms, repayment behaviour, etc.

The Group considers that there has been a significant increase in credit risk of financial instrument when one or more of the following quantitative, qualitative or upper limits criteria have been met:

Quantitative criteria:

The Group determines whether there has been a significant increase in credit risk since initial recognition by considering whether the credit risk rating has downgraded to a certain level, i.e. credit risk rating of counterparty for corporate loans and financial investments has downgraded to B or below since initial recognition as at the reporting date, or whether the probability of default ("PD") has increased significantly since initial recognition, i.e. for retail loans, the counterparty's PD is 8-10 times of initial PD as at the reporting date.

Qualitative criteria:

For corporate loans and financial investments, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operational results of the borrower
- Early signs of cashflow / liquidity problems such as delay in repayment of payables / loans

Upper limit:

If the borrower fails to make payment for more than 30 days after contractual payment date.

According to the relevant policies from regulators, the Group has carefully evaluated the deferred loan payment applications for whom are influenced by COVID-19 in order to offer temporary convenience for qualified borrowers. Meanwhile, the Group has analysed if the credit risks of the relevant financial assets will increase after the borrowers received their first approval, based on the policy of deferred loan payment, the repayment ability of borrowers, and other relevant factors.

Default and *credit-impaired*

When a financial asset is impaired, the Group defines it as in default. The Group defines a financial asset as credit impaired when it meets one or more of the following criteria:

Qualitative criteria:

The borrower meets "capability to repay is apparently in question" criteria, which indicates the borrower is in significant financial difficulty and examples include:

- The issuer or borrower is in significant financial difficulties
- The borrower has breached financial contract(s), such as past due of interest or principal repayments
- Concessions have been made by the lender relating to the borrower's financial difficulty with consideration of economy and contract
- The borrower is likely to head towards bankruptcy or other debts restructuring
- Issuer or borrower's financial difficulties lead to disappearance of active market for financial assets
- Financial assets are purchased or originated at substantial discount that reflects the incurred credit losses

Upper limit:

If the borrower fails to make payment for more than 90 days after contractual payment date.

The criteria above have been applied to all financial instruments held by the Group and are consistent with internal credit risk management purposes. The default definition has been consistently applied to establish models for the PD, Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's ECL measurement.

Explanation of parameters, assumptions and estimation techniques of ECL model

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the PD, EAD and LGD, and the relevant definitions are as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD) or the remaining lifetime (Lifetime PD) of the obligation.
- The EAD is the amounts the Group expects to be repaid at the time of default.
- LGD is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by projecting the PD, LGD and EAD for individual future exposure, which effectively calculates the ECL for each future month.

The Lifetime PD is based on expiry information derived from 12M PD. Maturity analysis covers the change of loan default situation from initial recognition to maturity. Maturity portfolio is based on historical observed data with the assumption of same portfolio and identical credit rating assets. The above analysis is supported by historical data.

The Group determines LGD based on factors affecting recovery after default, which vary by product type.

Forward-looking economic information should be considered in determining the 12M and lifetime ECL.

There have been no significant changes in estimation techniques or significant assumptions during the reporting period.

Forward-looking information incorporated in the ECL model

Both the assessment of SICR and the calculation of ECL incorporate forward-looking information. The Group identifies the key economic indicators impacting credit risk and ECL for each portfolio through historical data analysis.

The Group has selected a series of macroeconomic indicators based on industry best practices and the Group's internal experts' judgement, which includes GDP, industrial added value growth rate and CPI growth rate, etc. to establish statistical relationship between actual PD and macro indicators for each model exposure, and calculate forward-looking PD by using forecasted economic indicators.

In addition to the base economic scenario, the Group has also set up other scenarios based on analysis of each major product type. The number and attributes of scenarios are reassessed at each reporting date. As at 31 December 2021 and 31 December 2020, the scenario weightings are determined by combination of statistical analysis and expert judgement, taking into account of the range of possible outcomes represented by scenarios. The Group adopts the base and lifetime PD with scenario weightings, along with qualitative and upper limit criteria to determine whether the credit risk has increased significantly. The determination of financial instrument stage indicates the measurement of the loss allowance at an amount equal to the 12-month or lifetime ECL accordingly. The Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

On 31 December 2021, the Group has taken the macroeconomic under the impact of COVID-19 into account when developing forward-looking macroeconomic indicators and economic scenario weighting.

The Group considers these projections have represented the best estimate of the possible outcomes and analyses the non-linearities and asymmetries within the Group’s different portfolios to determine that selected scenarios adequately represent scenarios that might occur. Similar to other economic projections, there are inherent uncertainties regarding estimates of projected values and likelihood of occurrence, thus substantial differences may occur between actual results and projections.

Combination method for evaluation of expected credit risk

When analysing the relevance of ECL with macroeconomic indicators, the Group has classified the assets with similar credit risk characteristics into the same portfolio. The Group has obtained sufficient information to ensure the statistical reliability for the portfolio classification. Where sufficient information is not available internally, the Group establishes the model with reference to internal or external supplementary data. The characteristics and any supplementary data used to determine portfolio classification are outlined below:

Corporate loans and financial investments

- Industry
- Collateral type

Retail loans

- Product type (i.e. mortgage loans, consumer loan and credit card)
- Repayment type
- Utilisation percentage range
- The range of mortgage rate (loan balance / collateral value)

(4) Maximum exposure to credit risk

Financial assets and guarantee commitment subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The book value of financial assets below represents the Group's maximum exposure to credit risk on these assets.

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	415,526	-	-	415,526
Deposits and placements with banks and other financial institutions	433,781	-	-	433,781
Financial assets purchased under resale agreements	117	-	-	117
Loans and advances to customers measured at				
- Amortized cost	4,034,450	99,520	26,643	4,160,613
- FVOCI	480,663	3,258	271	484,192
Financial investments measured at				
- Amortized cost	1,226,771	27,295	52,122	1,306,188
- FVOCI	476,860	2,077	682	479,619
Other financial assets	88,197	109	3,311	91,617
Total	7,156,365	132,259	83,029	7,371,653

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	483,732	-	-	483,732
Deposits and placements with banks and other financial institutions	385,927	-	-	385,927
Financial assets purchased under resale agreements	36,526	-	-	36,526
Loans and advances to customers measured at				
- Amortized cost	3,863,316	101,305	24,819	3,989,440
- FVOCI	421,642	429	437	422,508
Financial investments measured at				
- Amortized cost	1,135,691	4,372	29,714	1,169,777
- FVOCI	576,039	745	1,002	577,786
Other financial assets	79,696	357	1,043	81,096
Total	6,982,569	107,208	57,015	7,146,792

	31 December 2021 Maximum exposure to credit risk	31 December 2020 Maximum exposure to credit risk
Commitment and guarantee		
Bank acceptance notes	615,478	551,226
Letters of credit issued	192,254	176,235
Letters of guarantee issued	113,132	112,372
Credit cards and other commitments	643,603	523,418
Total	1,564,467	1,363,251

(5) Credit-impaired loans and advances to customers

The Group closely monitors collateral held for financial assets considered to be credit-impaired, because the Group is more likely to confiscate these collateral to reduce potential credit losses comparing to other collaterals. As at 31 December 2021, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 88,671 million (31 December 2020: RMB 90,497 million), in which the loans covered by collaterals are amounting to RMB 39,922 million (31 December 2020: RMB 405,98 million).

(6) Bonds and other investments

The table below analyses the Group's investment securities by external rating agencies, including S&P or equivalent credit agencies identified by the PBOC.

	31 December 2021			
Investments denominated in RMB	Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
Medium or long term				
AAA	20,194	512,174	145,954	678,322
AA+ to AA-	3,237	3,667	7,431	14,335
A+ to A-	279	11,248	4,147	15,674
Below A-	-	155	1,450	1,605
Short term				
AAA	18,084	16,775	-	34,859
AA+ to AA-	2,143	254	212	2,609
A and below A	-	3,080	-	3,080
Unrated-Bonds	64,058	749,941	243,392	1,057,391
	107,995	1,297,294	402,586	1,807,875

Investments denominated in foreign currencies	31 December 2021 Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
AAA	191	-	4,119	4,310
AA+ to AA-	40	-	2,673	2,713
A and below A	3,061	7,038	39,312	49,411
Unrated-Bonds	1,026	1,856	30,929	33,811
	4,318	8,894	77,033	90,245

Investments denominated in RMB	31 December 2020 Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
Medium or long term				
AAA	11,203	210,615	140,739	362,557
AA+ to AA-	255	297	5,426	5,978
A+ to A-	-	-	56	56
C	-	211	-	211
Short term				
A-1	-	-	103	103
Unrated-Bonds	95,524	952,295	356,528	1,404,347
	106,982	1,163,418	502,852	1,773,252

Investments denominated in foreign currencies	31 December 2020 Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
AAA	74	-	2,942	3,016
AA	59	-	738	797
A and below A	582	1,588	42,723	44,893
Unrated-Bonds	1,825	4,771	28,531	35,127
	2,540	6,359	74,934	83,833

2 Market risk

Market risk is the risk of losses of on and off-balance sheet businesses arising from adverse movements in market prices, such as interest rates, exchange rates, price of stock and commodity. Both the Group's trading book and banking book is exposed to market risk, which mainly consists of interest rate risk, currency risk and commodity price risk. The Group considers the exposure to the commodity price risk to be insignificant.

The Board of Directors of the Bank is ultimately responsible for monitoring the market risk management and ensuring the Group can effectively identify, measure, monitor and control the market risk associated with the Group's business activities. Under the authorisation of the Board of Directors, the senior management of the Group is responsible for establishing the group-wide market risk management system, organisational structure with well-defined roles and responsibilities, authorisation structures and accountability mechanism. Relevant departments of headquarters are responsible for carrying out detailed market risk management activities including policies and procedures, measurement approaches and models, analyses and reporting and monitoring of various limits in order to timely and accurately identify, measure, monitor and control the market risk exposures in respective business areas and reporting to the senior management and Board of Directors on timely basis.

Meanwhile, the established internal controls and independent inspections are integrated in the group-wide market risk management system. Relevant business units are responsible for executing the daily control activities. A three-line defence system includes the business units as the first line defence, the market risk management and compliance department as the second line defence and the review department as the third line defence.

The Group measures market risk based on predetermined benchmarks. The major measurement approaches include stress testing, analysis on value at risk, back testing, gap analysis and sensitivity analysis etc. The market risk of new products and businesses should be identified before these new products and businesses are launched according to relevant policies.

(1) Currency risk

The Group mainly operates in the PRC and its main business activities are conducted in RMB. Majority of its foreign currency business are conducted in USD. The table below summarises the Group's exposure to currency risk. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorised by original currency.

	31 December 2021				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	372,580	44,434	3,735	247	420,996
Deposits and placements with banks and other financial institutions	247,212	155,336	10,098	21,135	433,781
Derivative financial assets	32,764	852	2	155	33,773
Financial assets purchased under resale agreements	16	101	-	-	117
Loans and advances to customers	4,504,671	141,074	26,517	18,692	4,690,954
Financial investments:					
- FVTPL	515,612	10,415	-	7	526,034
- AC	1,297,294	8,685	-	209	1,306,188
- FVOCI	409,668	69,629	4,102	3,302	486,701
Other financial assets	37,637	44,025	5,954	4,001	91,617
Total financial assets	7,417,454	474,551	50,408	47,748	7,990,161
Borrowing from central bank	236,317	-	-	-	236,317
Deposits and placements from banks and other financial institutions	990,256	85,435	15,460	15,624	1,106,775
Financial liabilities measured at FVTPL	31,089	191	-	-	31,280
Derivative financial liabilities	28,428	1,072	3	25	29,528
Financial assets sold under repurchase agreement	162,260	11,959	-	-	174,219
Deposits from customers	4,193,282	242,273	17,889	10,164	4,463,608
Debt securities issued	1,271,348	42,187	3,585	1	1,317,121
Lease Liabilities	7,488	-	900	63	8,451
Other financial liabilities	30,421	1,097	364	462	32,344
Total financial liabilities	6,950,889	384,214	38,201	26,339	7,399,643
Net position of financial instruments	466,565	90,337	12,207	21,409	590,518
Currency derivatives	103,683	(86,027)	(5,285)	(10,221)	2,150
Credit commitments	1,510,578	44,642	697	8,550	1,564,467

	31 December 2020				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	447,135	38,896	2,759	298	489,088
Deposits and placements with banks and other financial institutions	223,478	129,504	16,696	16,249	385,927
Derivative financial assets	63,271	277	4	37	63,589
Financial assets purchased under resale agreements	36,502	24	-	-	36,526
Loans and advances to customers	4,261,041	129,477	25,326	14,384	4,430,228
Financial investments:					
- FVTPL	539,618	9,531	-	-	549,149
- AC	1,163,418	6,224	-	135	1,169,777
- FVOCI	508,687	66,770	4,666	3,498	583,621
Other financial assets	33,962	40,692	3,466	2,976	81,096
Total financial assets	7,277,112	421,395	52,917	37,577	7,789,001
Borrowing from central bank	274,346	-	-	-	274,346
Deposits and placements from banks and other financial institutions	1,239,336	91,774	21,028	13,434	1,365,572
Financial liabilities measured at FVTPL	15,226	831	-	-	16,057
Derivative financial liabilities	59,832	1,196	61	57	61,146
Financial assets sold under repurchase agreement	221,122	11,224	-	-	232,346
Deposits from customers	3,868,117	227,133	19,312	7,845	4,122,407
Debt securities issued	1,102,174	34,464	3,774	241	1,140,653
Other financial liabilities	40,805	5,208	1,143	277	47,433
Total financial liabilities	6,820,958	371,830	45,318	21,854	7,259,960
Net position of financial instruments	456,154	49,565	7,599	15,723	529,041
Currency derivatives	40,562	(39,727)	6,546	(4,052)	3,329
Credit commitments	1,300,317	51,547	5,097	6,290	1,363,251

The Group measures the possible effect on net profit arising from foreign exchange rate fluctuation using sensitivity analysis. The table below shows the result of sensitivity analysis of the balance sheet date.

Net profit	31 December 2021		31 December 2020	
	Exchange rate fluctuation %		Exchange rate fluctuation %	
(Decrease) / Increase	-1%	1%	-1%	1%
USD against RMB	(32)	32	(74)	74
Other currencies against RMB	(136)	136	(202)	202

The above sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities, and calculated the impact on the net profit from changes in exchange rates of other foreign currencies against RMB. The assumptions are shown as below:

- Exchange rate sensitivity represents the exchange gain or loss resulting from the 1% change in daily closing exchange rates (middle) on the financial reporting date;
- Changes in exchange rates of other foreign currencies means the exchange rates of other foreign currencies against RMB are fluctuating simultaneously and in the same direction;
- Foreign currency exposure contains spot exchange exposure and forward exchange exposure. Based on the above assumption, the actual exchange gains or losses may differ from the sensitivity analysis results.

(2) Interest rate risk

Interest rate risk is the risk of losses in overall earnings and economic value arising from adverse movements in factors such as interest rates, term structure, etc., including interest rate risk from bank book and trading book.

The Group considers its exposure to the interest rate risk of trading book to be insignificant. The Group has established a relatively complete internal transfer pricing system, which enables the Group to manage the interest rate risk of bank book centrally. The Group measures and monitors interest rate risk in trading accounts using value-at-risk and sensitivity analysis etc. The senior management of the Bank is responsible for developing the appropriate management mechanism for interest rate risk in the banking book, the organizational structure, systems and processes in accordance with the risk appetites for interest rate risk in the banking book approved by the Board of Directors to ensure the achievement of management objectives; The Asset and Liability Management Department of the Head Office of the Bank is responsible for taking the lead in the organization and implementation on the identification, measurement, monitoring, control and mitigation management of daily risks; The Audit Department of the Head Office of the Bank is responsible for performing the internal audit on interest rate risk in the banking book independently.

The Group mainly uses appropriate measurement methods and tools (such as repricing gap analysis, duration analysis, sensitivity analysis and scenario simulation) to measure and monitor the interest rate risk. During the reporting period, the Group adhered to the neutral and prudent risk appetite for interest rate risk in the banking book, enhanced the research and judgment on domestic and foreign macro policies as well as monetary policies, carried out dynamic monitoring and forward-looking risk management based on interest rate liberalization, trends of interest rate curve reform; During the reporting period, the Group guided the adjustments of business scale and term structure based on risk management strategies as well as asset and liability business objectives through asset and liability active configuration tools and price tools, maintained the interest rate risk indicators within the risk appetite of the Board of Directors and kept sustainable operation.

The Group paid close attention to the regulatory policies of international Interbank offered rate reform and the dynamics of the industry, actively and orderly carried out the transition work.

The table below summarises the Group’s exposures to interest rate risk. The table presents the Group’s assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	31 December 2021						
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	399,621	-	-	-	-	21,375	420,996
Deposits and placements with banks and other financial institutions	135,132	105,938	179,866	8,785	-	4,060	433,781
Derivative financial assets	-	-	-	-	-	33,773	33,773
Financial assets purchased under resale agreements	16	101	-	-	-	-	117
Loans and advances to customers	1,138,363	697,229	1,860,021	901,167	79,173	15,001	4,690,954
Financial investments measured at:							
- FVTPL	11,201	10,781	25,068	31,413	15,441	432,130	526,034
- Amortized cost	73,483	77,900	144,072	533,147	460,092	17,494	1,306,188
- FVOCI	14,986	22,830	54,079	305,803	75,431	13,572	486,701
Other financial assets	4,067	-	13,744	-	-	73,806	91,617
Total financial assets	1,776,869	914,779	2,276,850	1,780,315	630,137	611,211	7,990,161
Liabilities							
Borrowing from central bank	9,907	26,460	197,631	-	-	2,319	236,317
Deposits and placements from banks and other financial institutions	681,741	220,168	193,174	8,911	612	2,169	1,106,775
Financial liabilities measured at FVTPL	-	-	-	-	-	31,280	31,280
Derivative financial liabilities	-	-	-	-	-	29,528	29,528
Financial assets sold under repurchase agreements	132,596	24,699	16,891	-	-	33	174,219
Deposits from customers	2,115,070	1,044,476	561,461	682,044	5	60,552	4,463,608
Debt securities issued	54,222	203,624	700,667	220,693	132,063	5,852	1,317,121
Lease Liabilities	264	526	2,104	5,076	481	-	8,451
Other financial liabilities	562	150	1,263	-	-	30,369	32,344
Total financial liabilities	2,994,362	1,520,103	1,673,191	916,724	133,161	162,102	7,399,643
Total interest repricing gap	(1,217,493)	(605,324)	603,659	863,591	496,976	449,109	590,518

	31 December 2020						
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	475,170	-	-	-	-	13,918	489,088
Deposits and placements with banks and other financial institutions	145,265	77,121	138,919	22,210	-	2,412	385,927
Derivative financial assets	-	-	-	-	-	63,589	63,589
Financial assets purchased under resale agreements	36,495	24	-	-	-	7	36,526
Loans and advances to customers	1,210,020	453,250	1,367,398	1,178,360	205,829	15,371	4,430,228
Financial investments measured at:							
- FVTPL	17,690	11,188	19,821	19,292	12,500	468,658	549,149
- Amortized cost	68,004	78,127	126,051	510,316	371,286	15,993	1,169,777
- FVOCI	23,911	23,786	74,142	315,058	133,078	13,646	583,621
Other financial assets	3,086	-	9,964	-	-	68,046	81,096
Total financial assets	1,979,641	643,496	1,736,295	2,045,236	722,693	661,640	7,789,001
Liabilities							
Borrowing from central bank	23,503	25,811	221,968	-	-	3,064	274,346
Deposits and placements from banks and other financial institutions	863,324	259,043	233,691	5,944	225	3,345	1,365,572
Financial liabilities measured at FVTPL	-	-	-	-	-	16,057	16,057
Derivative financial liabilities	-	-	-	-	-	61,146	61,146
Financial assets sold under repurchase agreements	186,309	30,578	15,396	-	-	63	232,346
Deposits from customers	1,947,776	996,377	494,734	637,591	6	45,923	4,122,407
Debt securities issued	88,462	283,982	448,189	164,676	150,378	4,966	1,140,653
Other financial liabilities	5,220	1,554	2,838	5,165	670	31,986	47,433
Total financial liabilities	3,114,594	1,597,345	1,416,816	813,376	151,279	166,550	7,259,960
Total interest repricing gap	(1,138,039)	(953,849)	319,479	1,231,860	571,414	495,090	529,041

Note: Financial assets listed as within 1 month include overdue amount at 31 December 2021 and 31 December 2020 (less provision for impairment).

The Group performs sensitivity analysis to measure the potential impact of changes in interest rate on net profit and equity. The table below shows the results of the sensitivity analysis on the balance sheet date.

	31 December 2021		31 December 2020	
	Interest rate fluctuation (Basis points)		Interest rate fluctuation (Basis points)	
	-100	+100	-100	+100
(Decrease) / increase in net profit	(3,987)	3,987	(3,885)	3,885
Increase / (decrease) in other comprehensive income under equity	8,323	(7,896)	12,345	(11,554)

The above sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group’s assets and liabilities within the one-year period.

- Except for current deposits, assets and liabilities, whose maturity dates are within three months or more than three months but will be repricing within one year, are assumed to be re-priced in the middle of each specified period;
- The interest rates of current deposits and statutory deposit reserves with central bank remain unchanged;
- The yield curve moves in parallel with interest rate;
- There are no changes in assets and liabilities at year end. Based on the assumptions, the actual change in net profit may be different from the sensitivity analysis results.

Based on the assumption of the parallel movement of the yield curve along with interest rate change, the sensitivity analysis of the equity is derived by remeasuring the fair value of debt instruments at fair value through other comprehensive income as a result of changes in interest rate with a certain percentage.

3 Liquidity risk

The Group's liquidity risk management is intended to meet the obligations to serve customers for withdrawal and payment, to achieve the balance between the total amount and structure of assets and liabilities; to reduce the liquidity cost, avoid liquidity crisis of the Group, and to effectively respond to systematic liquidity risk by active management.

The Group has established a well-developed liquidity risk management system. The Board of Directors of the Bank is responsible for reviewing and approving the liquidity risk management system, risk preference, risk limit and contingency plans, and assumes the ultimate responsibility for liquidity risk management; the Board of Supervisors of the Bank is responsible for supervising the performance of liquidity risk management of the Board of Directors and the senior management; the Board of Directors of the Bank authorises the senior management to perform liquidity risk management duties within the Bank; the responsibilities of the Asset-Liability Management Committee are to review liquidity risk management policies, risk limits, stress testing plans and contingency plans, organise functional departments to conduct stress testing, and review stress test reports, etc. Asset-Liability Management Department of the Headquarters of the Bank is responsible for drafting liquidity risk management policies and procedures at a group level and leading specific management of the liquidity risk management, such as qualitative and quantitative analysis. Audit Department of the the Headquarters of the Bank is responsible for the internal audit on liquidity risks. The Group has a prudent liquidity risk preference which complies with the regulatory requirements and management requirements of the Group.

The Group's liquidity risk management system comprises mainly regular and contingent management system which includes 10 components, such as policies and strategies, management framework, regulations, management tools, daily operation, stress tests, system construction, risk monitoring, risk report, and emergency management and drilling.

Daily management of liquidity risk. During the reporting period, the Group kept layered beforehand balanced management of liquidity risk in line with the principle of aggregate balance and structural equilibrium; it carries out real-time monitoring on daily position accounts in local and foreign currencies, and made centralised allocation of positions in local and foreign currencies; it established a beforehand declaration system for large-amount positions, and established a monitoring mechanism for total liquidity level; it prepared a cash flow gap table on a daily basis, used the gap management method to predit cash flow gap changes in future assets and liabilities's on and off-balance sheet items, and regularly (irregularly in case of major events) conducted liquidity risk assessment for assets and liabilities' on and off-balance sheet items; the Group also considered its own liquidity risk policies and risk limit requirements to make active financing arrangement and make adjustments to asset and liability portfolios, enabling the business development to effectively meet the requirements for appropriate liqudty management goals.

The table below presents the undiscounted cash flows of the Group under contracts of non-derivative financial assets and liabilities by remaining contractual maturities.

	31 December 2021							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets								
Cash and deposits with central bank	81,023	-	-	-	-	-	339,973	420,996
Deposits and placements with banks and other financial institutions	76,897	166,260	185,616	9,448	-	-	-	438,221
Financial assets purchased under resale agreements	-	118	-	-	-	-	-	118
Loans and advances to customers	-	1,104,947	1,511,575	1,355,997	1,364,268	58,743	-	5,395,530
Financial investments measured at:								
- FVTPL	424,248	20,285	26,513	34,230	16,904	2,416	7,882	532,478
- Amortized cost	-	118,298	178,310	677,948	544,344	65,286	-	1,584,186
- FVOCI	-	34,245	66,006	341,997	81,907	988	7,082	532,225
Other financial assets	74,364	-	-	-	-	7,657	14,355	96,376
Total financial assets	656,532	1,444,153	1,968,020	2,419,620	2,007,423	135,090	369,292	9,000,130
Liabilities								
Borrowing from central bank	-	37,130	201,493	-	-	-	-	238,623
Deposits and placements from banks and other financial institutions	523,188	381,407	196,138	8,914	612	-	-	1,110,259
Financial liabilities measured at FVTPL	29,585	192	-	427	1,076	-	-	31,280
Financial assets sold under repurchase agreements	-	157,467	17,070	-	-	-	-	174,537
Deposits from customers	2,122,296	1,079,938	589,597	786,823	6	-	-	4,578,660
Debt securities issued	-	263,560	719,460	277,221	153,747	-	-	1,413,988
Lease Liabilities	-	793	2,152	5,576	634	-	-	9,155
Other financial liabilities	27,254	1,423	1,764	1,339	602	-	-	32,382
Total financial liabilities	2,702,323	1,921,910	1,727,674	1,080,300	156,677	-	-	7,588,884
Net liquidity	(2,045,791)	(477,757)	240,346	1,339,320	1,850,746	135,090	369,292	1,411,246
Derivative financial instruments								
- Inflow	-	134,074	103,023	50,719	67	-	-	287,883
- Outflow	-	133,046	101,232	50,093	137	-	-	284,508
Net value of derivative financial instruments	-	1,028	1,791	626	(70)	-	-	3,375
Credit commitments	621,503	324,264	571,643	50,419	2,912	-	-	1,570,741

	31 December 2020							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets								
Cash and deposits with central bank	149,819	-	-	-	-	-	339,269	489,088
Deposits and placements with banks and other financial institutions	103,841	114,442	147,845	23,308	-	-	-	389,436
Financial assets purchased under resale agreements	-	36,531	-	-	-	-	-	36,531
Loans and advances to customers	-	1,086,568	1,583,741	1,299,419	1,370,669	52,444	-	5,392,841
Financial investments measured at:								
- FVTPL	461,322	26,990	21,519	40,799	16,723	4,839	7,336	579,528
- Amortized cost	-	135,900	153,363	614,784	449,321	42,730	-	1,396,098
- FVOCI	-	43,087	89,221	364,340	151,446	1,005	5,835	654,934
Other financial assets	72,674	-	-	-	-	5,825	10,480	88,979
Total financial assets	787,656	1,443,518	1,995,689	2,342,650	1,988,159	106,843	362,920	9,027,435
Liabilities								
Borrowing from central bank	-	50,915	228,531	-	-	-	-	279,446
Deposits and placements from banks and other financial institutions	631,962	494,366	238,289	6,349	279	-	-	1,371,245
Financial liabilities measured at FVTPL	15,032	-	63	316	646	-	-	16,057
Financial assets sold under repurchase agreements	-	217,117	15,501	-	-	-	-	232,618
Deposits from customers	1,953,776	1,025,276	517,063	732,241	7	-	-	4,228,363
Debt securities issued	-	371,987	470,172	203,787	179,193	-	-	1,225,139
Other financial liabilities	29,895	5,868	3,188	7,845	1,463	-	-	48,259
Total financial liabilities	2,630,665	2,165,529	1,472,807	950,538	181,588	-	-	7,401,127
Net liquidity	(1,843,009)	(722,011)	522,882	1,392,112	1,806,571	106,843	362,920	1,626,308
Derivative financial instruments								
- Inflow	-	200,410	131,818	47,467	42	-	-	379,737
- Outflow	-	199,590	130,508	47,240	156	-	-	377,494
Net value of derivative financial instruments	-	820	1,310	227	(114)	-	-	2,243
Credit commitments	471,703	311,621	544,221	38,179	2,807	-	-	1,368,531

4 Fair value of financial instruments

(1) Fair value hierarchy

According to the the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement, the levels are defined as follows:

- Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities. The financial instruments of this level include listed equity securities, debt instruments and open-end fund investments;

- Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities. The financial instruments of this level include most Over-the-Counter ("OTC") derivatives and bonds. The sources of the yield curve or counterparty credit risk input value parameters are Thomson Reuters, Bloomberg and ChinaBond.com.

- Level 3 inputs: inputs that are unobservable for underlying assets or liabilities. The financial instruments of this level include equity instruments and debt instruments with significant non-observable components.

(2) Financial instruments not measured at fair value

Financial assets and financial liabilities not measured at fair value in the statement of financial position mainly include: deposits with central banks, deposits and placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers (measured at amortized cost), financial investment measured at amortized cost, borrowing from central bank, deposits and placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers, lease liabilities and bonds issued.

The book value and corresponding fair value of financial investment not measured at fair value (financial investment measured at amortized cost) and bonds issued as at 31 December 2021 and 31 December 2020 are listed in the following table.

	31 December 2021				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets：					
Financial investment measured at amortized cost	1,306,188	-	885,585	438,125	1,323,710
Financial liabilities：					
Debt securities issued	1,317,121	-	1,326,573	-	1,326,573

	31 December 2020				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets：					
Financial investment measured at amortized cost	1,169,777	-	957,148	221,417	1,178,565
Financial liabilities：					
Debt securities issued	1,140,653	-	1,142,652	-	1,142,652

(i) Financial investment measured at amortized cost

The fair value of financial investments measured at amortized cost is based on market quotes, and therefore belongs to the first level. If the relevant market information of debt investments cannot be obtained, then the discounted cash flow model is used for the valuation of fair value, which belongs to Level 3. Where applicable, the fair value of financial investments measured at amortized cost are determined with reference to the valuation results of China Central Depository & Clearing Co., Ltd., China Securities Index Co., Ltd. or Bloomberg, which belongs to Level 2.

(ii) Debt securities issued

The fair value of bonds issued is based on public quotes on the market. For bonds that cannot be quoted in the market, the fair value is determined by the discounted cash flow method and is based on the actual return rate matching the remaining maturity of the bond.

In addition to the above financial assets and financial liabilities, the fair value of other financial assets and financial liabilities that are not measured at fair value in the statement of financial position are deteremined with the discounted future cash flow method. There is no significant difference between their book value and fair value because these financial instruments have a shorter duration, or their interest rates fluctuate with market interest rates.

(3) Assests and liabilities measured at fair value a recurring basis

The following table presents the fair value information and the fair value hierarchy of the Group's assets and liabilities which are measured at fair value a recurring basis.

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	392,112	615	6,006	398,733
- Bonds	744	63,378	265	64,387
- Fund trust and asset management plan	-	8,545	10,413	18,958
- Beneficiary certificates	-	13,437	-	13,437
- Equity	-	9,012	-	9,012
- Interbank Certificates of Deposit	4,673	-	3,521	8,194
- ABS	-	6,519	-	6,519
- Wealth management products	-	327	-	327
- Other	-	-	6,467	6,467
Financial investments measured at FVOCI				
- Bonds	44,831	402,238	-	447,069
- Fund trust and asset management plan	-	11,726	-	11,726
- ABS	-	9,198	2	9,200
- Interbank Certificates of Deposit	-	5,134	-	5,134
- Equity	394	-	5,860	6,254
- Other equity investments	-	-	828	828
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	459,324	-	459,324
- Trade financing	-	24,868	-	24,868
FVTPL				
- Discounted bills	-	26,595	-	26,595
- Trade financing	-	19,554	-	19,554
Derivative financial assets	-	33,773	-	33,773
Total financial assets	442,754	1,094,243	33,362	1,570,359
Derivative financial liabilities	-	29,528	-	29,528
Financial liabilities measured at FVTPL				
- Financial liabilities related to precious metals	18,570	291	-	18,861
- Interest of other unit holders in consolidated structured entities	10,702	110	514	11,326
- Financial liabilities associated with short selling of bonds	1,093	-	-	1,093
Total financial liabilities	30,365	29,929	514	60,808

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	425,124	470	2,958	428,552
- Bonds	3,652	63,005	298	66,955
- Fund trust and asset management plan	-	8,491	11,803	20,294
- Beneficiary certificates	-	18,651	-	18,651
- Equity	3,559	220	1,325	5,104
- Interbank Certificates of Deposit	-	2,988	-	2,988
- ABS	-	562	-	562
- Wealth management products	-	-	72	72
- Other	-	-	5,971	5,971
Financial investments measured at FVOCI				
- Bonds	48,180	465,133	-	513,313
- Fund trust and asset management plan	-	43,997	1,014	45,011
- ABS	-	7,818	-	7,818
- Interbank Certificates of Deposit	-	3,833	-	3,833
- Equity	375	-	4,643	5,018
- Other equity investments	-	-	817	817
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	416,881	-	416,881
- Trade financing	-	5,627	-	5,627
FVTPL				
- Discounted bills	-	15,336	-	15,336
- Trade financing	-	2,944	-	2,944
Derivative financial assets	-	63,589	-	63,589
Total financial assets	480,890	1,119,545	28,901	1,629,336
Derivative financial liabilities	-	61,146	-	61,146
Financial liabilities measured at FVTPL				
- Financial liabilities related to precious metals	5,236	831	-	6,067
- Interest of other unit holders in consolidated structured entities	8,330	181	1,479	9,990
Total financial liabilities	13,566	62,158	1,479	77,203

The Group takes the date of the event that caused the transfer between levels as the date of the transfer. There is no transfer between the first and second levels this year.

(i) Level 2 Financial Instruments

The fair value of financial instruments that are not traded in an active market (such as OTC derivatives) is determined using valuation techniques. Valuation techniques use observable market data (if any) as much as possible, and rely as little as possible on the entity's specific estimates. If all significant inputs required to calculate the fair value of a financial instrument are observable data, the financial instrument is included in level 2. If one or more significant inputs are not based on observable market data, the financial instrument is included in level 3.

The financial instruments classified by the Group as level 2 mainly include bonds, foreign exchange forwards and swaps, interest rate swaps and foreign exchange options. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Foreign exchange forwards and swaps, interest rate swaps, foreign exchange options are valued using cash flow discounts and the Blair-Scholes model. All significant valuation parameters are obtained from observable market information.

(ii) Level 3 Financial Instruments

The changes in the Group's Level 3 assets and liabilities as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial liabilities measured at FVTPL	Total
1 Janurary 2021	22,427	6,474	(1,479)	27,422
Additions	10,077	1,212	(417)	10,872
Disposals and settlements	(6,546)	(781)	1,013	(6,314)
Total gains / (losses) recorded in profit or loss	714	-	369	1,083
Total gains / (losses) recorded in other comprehensive income	-	(215)	-	(215)
31 December 2021	26,672	6,690	(514)	32,848
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2021 for the positions held at 31 December 2021	1,344	-	172	1,516

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial liabilities measured at FVTPL	Total
1 Janurary 2020	59,675	7,878	(1,857)	65,696
Additions	3,665	740	(1,313)	3,092
Disposals and settlements	(41,243)	(2,010)	1,652	(41,601)
Total gains / (losses) recorded in profit or loss	330	311	39	680
Total gains / (losses) recorded in other comprehensive income	-	(445)	-	(445)
31 December 2020	22,427	6,474	(1,479)	27,422
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2020 for the positions held at 31 December 2020	(843)	-	14	(829)

The relevant information of Level 3 of fair value measurement using important unobservable input values is as follows:

31 December 2021	Fair value	Valuation method	Unobservable inputs
Financial investments:			
Financial investments measured at FVTPL			
- Fund trust and asset management plan	7,092	Income approach	Discount rate
	3,321	Refer to recent transactions	Liquidity discount
- Fund	6,006	Refer to recent transactions	Liquidity discount
- Equity	3,521	Income approach	Discount rate
- Bonds	265	Income approach	Discount rate
- Wealth management products		Income approach	Discount rate
- Other	6,467	Refer to recent transactions	Discount rate
	26,672		
Financial investments measured at FVOCI			
- Fund trust and asset management plan	2	Income approach	Discount rate
- Equity	2,877	Refer to recent transactions	Liquidity discount
	2,857	Market approach	Liquidity discount P/B ratio
	126	Market approach	Liquidity discount P/E ratio
- Other equity investments	767	Market approach	Liquidity discount P/B ratio
	61	Refer to recent transactions	Liquidity discount P/E ratio
	6,690		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	514	Note 1	Note 1

31 December 2020	Fair value	Valuation method	Unobservable inputs
Financial investments:			
Financial investments measured at FVTPL			
- Fund trust and asset management plan	10,997	Income approach	Discount rate
	806	Refer to recent transactions	NA
- Equity	1,325	Income approach	Discount rate
- Fund	2,958	Refer to recent transactions	NA
- Bonds	298	Income approach	Discount rate
- Wealth management products	72	Income approach	Discount rate
- Other	5,971	Refer to recent transactions	Discount rate
	22,427		
Financial investments measured at FVOCI			
- Fund trust and asset management plan	1,014	Income approach	Discount rate
- Equity	1,657	Refer to recent transactions	NA
	2,860	Market approach	Liquidity discount P/B ratio
	126	Market approach	Liquidity discount P/E ratio
- Other equity investments	50	Market approach	Liquidity discount P/B ratio
	767	Refer to recent transactions	NA
	6,474		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	1,479	Note 1	Note 1

Note1: The fair value of the interest of other unit holders in consolidated structured entities is the amount attributable to the investor of the structured entity based on the net value of the structured entity.

5 Offsetting of financial assets and financial liabilities

Some financial assets and financial liabilities in the Group follow executable net amount settlement arrangements or similar agreements. Such arrangements with the Group and counterparties normally allow the net amount settlement under agreements of both parties. If no agreement is reached, it would be settled in full amount. But one party could choose to settle in net amount under the condition that the other party violates the agreement. According to the requirements of the Accounting Standards for Business Enterprises, the Group did not offset these financial assets and financial liabilities.

As at 31 December 2021, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

6 Capital management

The objectives of the Group's capital management are to:

(1) Satisfy regulatory requirements for capital adequacy ratio on an ongoing basis, ensure operational compliance to ultimately optimise capital stock and structure.
(2) Ensure adequate capital for resisting corresponding risks, realise the operational safety, and keep capital at an adequate and reasonable level.
(3) Establish a capital allocation and management system that focuses on economic capital, optimise the resource allocation and management control mechanism at the group level, achieve capital intensive management to ultimately maximise shareholders' value.

The Group manages its capital structure and adjust it based on the changes in economic condition and the risk characteristics. Generally, the mechanism of adjusting the capital structure comprises dividend distribution policies and issuance of additional capital instruments such as tier 1 capital instruments and tier 2 capital instruments, etc.

In China, commercial banks should meet the requirements for capital adequacy ratio set out in the Administrative Measures on the Capital of Commercial Banks (for Trial Implementation) which required the capital adequacy ratio of core tier 1 capital shall not be less than 7.50%, capital adequacy ratio of tier 1 capital shall not be less than 8.50% and capital adequacy ratio shall not be less than 10.50%.

In addition, the PBOC and the CBIRC have formulated evaluation of systemically important banks and the Additional Regulatory Rules for Systemically Important Banks (for Trial Implementation). According to the above provisions, systemically important banks shall meet certain additional capital requirements in addition to minimum capital requirements, reserve capital and counter-cyclical capital requirements, which are satisfied by core Tier 1 capital. Systemically important banks are divided into five groups, and the additional capital requirements of 0.25%, 0.5%, 0.75%, 1% and 1.5% shall apply to the banks in Group I to Group V respectively. According to the list of systemically important banks issued by the PBOC and CBIRC in October 2021, the bank was identified as systemically important banks in Group II. Therefore, after considering the additional capital requirements of systemically important banks, the group will meet the minimum requirement of 8% of core tier 1 capital adequacy from January 1, 2023.

	The Group	
	31 December 2021	31 December 2020
Core tier 1 capital - net	548,486	519,268
Tier 1 capital - net	658,929	629,653
Capital - net	817,715	798,859
Total risk weighted assets	5,835,947	5,458,504
Core tier 1 capital adequacy ratio	9.40%	9.51%
Tier 1 capital adequacy ratio	11.29%	11.54%
Capital adequacy ratio	14.01%	14.64%

(1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratios includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2) The Group's Core Tier 1 Capital includes ordinary shares, equity components of the convertible corporate bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general risk reserve, retained earnings, minority interests (to the extent permitted in the Core Tier 1 Capital under the Regulation).

(3) The Group's Deductible Items from Core Tier 1 Capital include other intangible assets (excluding land use rights) after deducting the related deferred tax liabilities and the net amount of goodwill after deducting related deferred tax liabilities.

(4) The Group's other Tier 1 Capital includes preference shares, Perpetual bondand minority interests to the extent permitted by the capital rules.

(5) The Group's Tier 2 Capital includes: Tier 2 capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests to the extent permitted by the capital rules.

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk weighted Assets and Operational Risk-weighted Assets respectively.

IX ASSET PLEDGED

Certain assets of the Group are pledged as collateral for financial liabilities, and the analysis of these assets are as follows:

	31 December 2021	31 December 2020
Financial investments	522,642	491,435
Discounted bills	44,167	107,497
Bank loans	547	778
Total	567,356	599,710

X EVENTS AFTER THE REPORTING DATE

1 Profit distribution plan

The Bank convened the board of directors on 26 April 2022, approved the profit distribution plan for 2021 and submitted it to the annual general meeting for consideration and approval.

2 Establishment of the subsidiary

In January 2022, the Bank received the approval from CBIRC on the opening of Puyin Wealth Management Co., Ltd. (CBIRC [2022] No.4), thus the wholly-owned subsidiary Puyin Wealth Management Co., Ltd. was approved to open with a registered capital of RMB 5 billion. The Bank will strictly perform its duties as a shareholder in accordance with regulatory requirements.

XI COMPARATIVE FIGURES

In order to be consistent with the presentation of financial statements for the current year, a number of comparative figures have been reclassified.