浦发银行
SPD BANK

无限向新力
浦发银行30周年
1993—2023

2022
ANNUAL REPORT

SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.

无限向新力

浦发银行30周年

—— 1993—2023 ——

浦发银行
SPD BANK

Mission

Finance creates value for better life

Strategic objectives

Develop ourselves into a first-class joint-stock commercial bank with international competiveness in all aspects, becoming a leading force in promoting the finance sector toward high-quality development in the new era

View of development

adhere to long-termism 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

Core values

Stick to integrity and strive for excellence

Organizational climate

Optimism, plainness, unity and sharing

Green initiative

Low-carbon lifestyle and green future

Manager image

Righteous, wise, pioneering and responsible

Code of clean conduct

Act with probity, excel with expertise

Brand proposition

New thinking, heartfelt service

Corporate spirit

Strive with one heart

Employee image

Dedicated, professional, innovative and promising

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 51st Meeting of the Seventh Board of Directors held in Shanghai on 17 April 2023, where all directors attended in person and exercised their voting right.

3. The 2022 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, Liu Yiyan, Vice President in charge of financial work temporarily, 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 RMB3.20 (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 2022, the Bank's ordinary shares totaled 29,352,174,170, based on which the cash dividends to be distributed were calculated in RMB9,393 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".

10. This Report was compiled in the language of both Chinese and English. If there is any discrepancy of understanding between the versions, the Chinese version shall prevail.

Contents

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 2022
- **The reporting period**
  From 1 January 2022 to 31 December 2022
- **Same period of last year**
  From 1 January 2021 to 31 December 2021
- **End of last year**
  31 December 2021


浦发银行 SPD BANK

Message 1

Zheng Yang
Party Committee Secretary and Chairman

30th Anniversary Marks a Fresh Start for SPD Bank

The past three decades saw us grow stronger and more confident.

Shanghai Pudong Development Bank was born on 9 January 1993 at No. 50 Ningbo Road amid the resounding development and opening-up of Pudong. With the glorious mission of "blazing a new trail for the financial sector with Chinese characteristics", we have made continuous innovation to grow into a top-notch bank. Over the past 30 years, we have always upheld the leadership of the Party and placed our overall development on a solid footing of Party building. We have always adhered to the core values of "sticking to integrity and striving for excellence", while forging ahead despite numerous difficulties. Bearing in mind the big picture of China's development, we have always opened up new avenues for our prosperous development in the national drive of reform and opening-up, in the rapid development of financial services and innovations across the country, and in the process of forming a new development pattern and building China into a great modern socialist country.

Over the past 30 years, we started from scratch, have grown strong, and are steadily moving into the rank of world-class banks. With total assets of more than RMB8.7 trillion, we set up 42 domestic and overseas tier-1 branches and more than 1,700 operating institutions, forming a development pattern of "being based in Shanghai, radiating nationwide, and going global"; our business scope covers a number of financial fields such as trust, leasing, fund, overseas investment banking, currency brokerage, technology banking, wealth management subsidiaries, and rural banks, which enables us to provide a diversity of financial service across markets and areas. As our market influence keeps growing, we have ranked 226th among the Fortune Global 500, 18th among The Banker's Top 1000 Global Banks, and 108th among the Forbes's Global 2000.

Over the past 30 years, we have shouldered our mission of serving the country and the people with finance, and have continuously achieved greater success in serving the real economy. Precisely pinpointing our position in the development of the Party and the country, we have actively served such national strategies for regional development as the integrated development of the Yangtze River Delta, Beijing-Tianjin-Hebei region, and Guangdong-Hong Kong-Macao Greater Bay Area. Meanwhile, we have gone all out to support the building of Pudong into a leading zone of socialist modernization, "three major tasks", "five centers", and other important matters. We have continued to increase our support for key areas and weak links important to social development, such as manufacturing, micro and small enterprises, scientific and technological innovation, green and low-carbon development, rural revitalization, and consumption in the fields concerning people's livelihood, thus contributing to the realization of the first centenary goal in China.

Over the past 30 years, we have created a strategically-led, diversified, and balanced pattern of development, and entered a new stage of high-quality development. We have clearly defined the strategic goal of "developing ourselves into a first-class joint-stock commercial bank with international competitiveness in all respects", the "three-pillar" strategic framework with "high-quality development as the main line", "services at the core" and "market as the guide", and the path to three transformations", that is, asset-light operation, "carbon peaking and carbon neutrality" and digitalization. On this basis, we have continued to deepen the restructuring of customers, businesses, revenue, channels and regions, with the development structure further optimized and the revenue share of three major business segments becoming more balanced. Committed to "long-termism", we have continued to push forward the execution building project, optimize the closed-loop process of institutionalized and standardized strategy implementation, and increase the coordination of strategic planning.

Over the past 30 years, we have built an intensive and efficient internal control structure with effective checks and balances, and achieved remarkable progress in developing a comprehensive risk management system. We have continued to deepen the reform of institutional mechanisms and build a comprehensive risk management system that is vertically unified, intensive and efficient, and professional and prudent. Meanwhile, we

Message from Chairman of the Board of Directors

have continuously strengthened the development of an internal control system, set up compliance officers in the three major business segments, that is, corporate banking, retail banking, and financial market, and promoted the compliant and sound development of all operating institutions. We have deepened the reform of the audit structure, implemented the reform of the vertical audit management system, improved the supervisory effect of audits significantly, and further coordinated the prevention and control efforts of the front, middle and back offices along the three lines of defense.

Over the past 30 years, we have built a scientific, rational, coordinated and orderly governance mechanism, improving modern corporate governance constantly. We have made sure that the Party Committee could "steer the way forward, manage the overall situation, and guarantee the implementation", optimized the "prepositive procedures" and the collective decision-making regime for "major issues, appointment and dismissal of important managerial members, major project investment and use of large-amount funds", and formed a working pattern in which the political and organizational advantages of the Party are deeply integrated with the advantages of modern corporate governance. In the meantime, we have continuously aligned ourselves with the best corporate governance practices and guidelines, exploring and improving the modern financial enterprise system with Chinese characteristics. We have worked to build an excellent board of directors in the hopes of promoting and guaranteeing the healthy and sustainable development across the board. Assuming the duties of a systemically important bank, we have stuck to the path of asset-light development, and continuously improved the appraisal, incentive and restraint mechanisms, in a bid to form a corporate governance mechanism with reasonable structure, rigorous procedures, scientific decision-making, efficient operation and orderly coordination.

Over the past 30 years, we have fostered a corporate culture that could keep pace with the times and has distinctive characteristics, thus boosting our unity, cohesion and soft power continuously. We have integrated the ESG concept into the whole process of operation and management, and actively fulfilled economic, environmental and social responsibilities. Guided by the customer-centric business philosophy, we have kept intensifying consumer protection, optimized the service process, and enhanced the sense of fulfillment, happiness and security among customers. Committed to building a people-oriented corporate culture and promoting the spirit of dedication, the awareness of responsibility and the consciousness of overall situation, we have continuously enriched and improved the new version of our corporate cultural concepts, made "digital SPD", "robust SPD", "enterprising SPD" and "happy SPD" more popular brands, and facilitated the conversion of cultural power into productivity and creativity.

Hard work yields inspiring results. What we have achieved in the past 30 years is attributed to the strong leadership of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government, the ambitions and hard work of all people at SPD Bank, and the generous support from all sectors of society. On behalf of SPD Bank, I would like to express my heartfelt gratitude and sincere appreciation to our investors who have long been concerned about our development and to all our friends from all walks of life who have supported us!

Long-term commitments help us renew our glory.

2023 is not only the 30th anniversary of SPD Bank's founding, but also the first year when China will fully implement the core instructions of the 20th CPC National Congress. Standing at the starting point of a new journey, the 30-year-old SPD Bank will remain to be a "long-termist" and open up a new chapter in the creation of new feats.

Party building leads high-quality development and gathers tremendous strength. Looking into the future, we will continue to bear the overall situation in mind, effectively integrate the Party's leadership into all aspects of corporate governance, align our development efforts with national strategies for development, and advance the creation of corporate value and social value with the times. While keeping the overall situation and key tasks in mind, we will also ensure the political and people-oriented nature of the financial work, continue to increase financial support for key areas and weak links important to social development, and secure a leading position in promoting the development of socialism with Chinese characteristics.

Get aligned with the world's best on all fronts at a faster pace. As a long-termist, we will act on the requirements for building world-class enterprises with "outstanding products and brand, leading innovation and modern governance" to align ourselves with advanced peers at home and abroad, thoroughly practice the ESG concepts, prioritize green development, make progress toward common prosperity, well balance the relations between development quality and social benefits, and accelerate the realization of "excellence in all respects". The plans and requirements for achieving "excellence in all respects" will be imported and incorporated into all fields and processes of our operation and management from such dimensions as strategic objectives, strategic implementation, business development, basic management and alignment mechanism, with a view to effectively turning strategies into detailed, high-quality action guides.

Seek innovation-driven, coordinated development and gather tremendous momentum from the transformation process. Focusing on what customers need and want to experience, we will build up capabilities for product and service innovation faster to form a set of top-notch products and services featuring high value added, distinctive features and core competitiveness. In the process of asset-light, "carbon peaking and carbon neutrality" and digitalized transformation, we will prioritize empowering the "carbon peaking and carbon neutrality" and asset-light transformation with digital means, strengthen the integration of business with technology, and reshape the whole-journey user experience with digital thinking.

Keep the bottom line and make concerted efforts to maintain long-term prosperity. In strict accordance with the requirements of financial regulators, we will continue to push forward the reform of institutional mechanisms in the field of risk management, adjust or optimize the organizational structure and institutional processes of risk compliance and internal control management, promote the formation of a comprehensive risk management system, firmly guard the bottom line of financial security, and boost risk management capabilities essential to cope with severe shocks and get through economic cycles at a faster pace. We 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 that boasts of operational compliance and causes no worry for regulators, and a respectable and trusted corporate citizen, to align corporate value with social value.

Set sail for a brighter future

Ahead of us is a new journey full of both marvelous opportunities and cut-throat competition. Looking back at the past 30 years, SPD Bank stayed true to our missions and forged ahead in spite of obstacles and setbacks. Looking into the three decades to come, we will continue to open new chapters and move forward resolutely towards the goal of becoming a world-class enterprise. As a firm long-termist who pursues high-quality development unswervingly, we will develop the daring spirit to navigate uncharted territories and make pioneering breakthroughs. To deliver "excellence in all respects", we will set sail again without fear of short-term volatility, make new strides in high-quality development, and lift ourselves out of the cycles of history that commercial banks have experienced in the course of development.

On the new journey of developing into a first-class joint-stock commercial bank with international competitiveness in all respects, we will continue to take Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as our guide, comprehensively implement the decisions and plans of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government, fit well into the new development stage, implement the new development philosophy on all fronts, and spare no effort to facilitate the formation of a new development pattern in China. Staying innovative and confident, we will carry things through and forge ahead to open up a new chapter in the creation of a brighter future with high-quality and sustainable development as the core.

Zheng Yang, Party Committee Secretary and Chairman

Pan Weidong
Deputy Party Committee Secretary
Vice Chairman & President

In 2022, a year full of challenges, everyone at SPD Bank worked hard to make progress. We thoroughly implemented the decisions and plans of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government as well as regulatory requirements, closely followed the main line of "holding fast to long-term commitments, laying a solid foundation, advancing overall, and playing the empowering role of digital means", attained stable development despite the tough operating environment, and made steady headway toward the strategic goal of "developing into a first-class joint-stock commercial bank with international competitiveness in all respects".

Working to increase the supply of assets and achieving remarkable results in the process of serving the real economy. In 2022, the Bank was in a critical period of transformation and development. In accordance with the strategies set out in the 14th Five-Year Plan, we made precise efforts to serve the national drive of stabilizing growth and developing the real economy. The balance of corporate loans exceeded RMB2.6 trillion, of which medium and long-term loans to the manufacturing sector went beyond RMB190 billion, up 41% year on year; the balance of green credit surpassed RMB420 billion, up 37% year on year; the balance of loans to innovative high-tech enterprises hit over RMB390 billion, up 28% year on year; the balance of inclusive loans under the standard of "Two Increases" amounted to over RMB370 billion, up 18% year on year; the balance of loans under inclusive consumer finance grew by RMB93.4 billion year on year, a figure ranking second in the industry; and the total interbank assets crossed the RMB2.5 trillion mark. By ensuring the high-quality supply of new assets, we improved asset structure and asset quality simultaneously.

Strengthening liability management and improving the structure of funding sources constantly. In 2022, the Bank actively expanded various channels for deposit attraction and continued to consolidate the foundation of liability operation. As at the end of the year, total deposits reached RMB4.8 trillion, up 10% year on year, with deposits accounting for 60.3% of liabilities. The increase in deposit indicators continued to remain at the forefront of all joint-stock commercial banks in China. In the field of corporate banking business, we intensified the management of key customer groups and steadily expanded the volume of payment and settlement business. In the field of retail banking business, we enhanced key channels for deposit attraction and further improved the efficiency of deposit retention and acquisition. In the field of financial market business, we carried out cross-marketing of interbank business under "mega settlement" scenarios. Overall, our liability sources became more stable and liability costs were managed in an increasingly optimized way.

Committed to customer management with products and services increasingly improved. In 2022, the Bank continued to improve the quality and efficiency of full-range customer management. In the field of corporate banking business, we provided refined services for strategic customers, institutional customers and valuable customers. As the "track and ecosystem"-based management mode took shape, our strategies succeeded in fully penetrating the upstream and downstream sectors and ecosystems where customers belonged. As a result, there was a steady increase in the contribution of key customer groups. In the field of retail banking business, we continued to optimize the development structure of wealth management business, and accelerated the creation of a new business mode with digital means, further increasing the total number and activity of customers. Specifically, the number of personal customers (including credit card holders) exceeded 143 million, and the balance of AUM from them (including market value) reached RMB3.95 trillion; private banking became a more shining featured brand; and the MAU of mobile banking rose to 25.35 million, up 44% from the beginning of the year. In the field of financial market business, steady progress was made in both investment and trading capabilities, total interbank assets exceeded RMB2.5 trillion, such asset-light business brands as "SPDB Risk Hedging" and "SPD Custodian" continued to boost their service capacity, and the "E Peer" ecosystem generated a stronger convening power. With the inauguration of SPDB Wealth Management, the Group has obtained a variety of financial licenses such as fund, trust, wealth management subsidiary, financial leasing, currency brokerage, technology banking and offshore investment banking. Pursuing a customer-centric approach and intensifying group-wide collaboration, we made initial achievements in enhancing integrated financial services capabilities and building an enterprise-level, systematic and ecosystem-based customer management system.

Strengthening risk management to solidify the bottom line for operational compliance. In 2022, the Bank overcame difficulties to reduce existing risks and curb new ones. We made comprehensive use of collection,

Message from President

write-off, packaging, asset securitization and other means to promote the continuous disposal of existing risks, with the quarterly NPL balance and ratio both on the decline for three consecutive years. Meanwhile, we further improved our comprehensive risk management capabilities by dynamically adjusting our industry-specific credit supply policies, continuously improving our approval efficiency, strengthening the early warning management in the Sky Eye system, and iteratively optimizing our risk inspection mode, which effectively underpinned the continuous improvement in asset quality. Arming ourselves with bottom-line thinking and limit thinking, we made headway in building a compliance culture and a long-term compliance mechanism. As a result, our internal control and compliance management was improved significantly.

In 2022, we steadily solidified the footing for high-quality development, and generated noted results in the asset-light, "carbon peaking and carbon neutrality", and digitalized transformation. In other words, we have gathered the momentum for faster development in the future, which makes us more purposeful, confident and determined.

2023 is not just the 30th anniversary of SPD Bank, but also a critical year for the implementation of the Bank's 14th Five-Year Plan.

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will implement the core instructions of the 20th CPC National Congress on all fronts, uphold the new development philosophy, ensure the political and people-oriented nature of the financial work, act on the guiding principle of making progressing amid the stability, and follow the overall requirements of "sheer persistence, solid foundation, mode switch and integrated operation". In short, we will face challenges head-on, move forward with determination, and make new strides in high-quality development.

Creating an "ecosphere and chain"-based business mode to boost overall capabilities for customer management. We will actively change our business philosophy and mode toward integrated management and ecosystem-based management, in an effort to create a customer-centric management mode at a faster pace. As to finance product aggregate (FPA), we will make good use of the Group's multi-license advantages to accelerate our transformation into a "comprehensive financial service provider": instead of being confined to loan operation, we could engage in comprehensive operation of multiple business types such as fund pooling and transaction matchmaking. In terms of AUM operation, we will improve our investment research capability and capital management capability, establish a wealth management ecosphere, and shift from simply deposit-taking and selling wealth management products to a service mode covering the whole life cycle of wealth management. With respect to innovative operation of pan-investment banking, we will focus on customers from industrial parks in key regions, further expand the scale of our advantageous businesses such as syndicated loans, M&As, bond underwriting and portfolio financing, and cultivate more new engines that drive the growth of fee-based income. Keenly aware of the core demands of customers in ecospheres and industrial chains, we will flexibly utilize various types of products and services to create a business ecosystem unique to SPD Bank. The full-range customer management, "ecosphere and chain"-based operation, and panoramic bank building will be integrated together and translated into operational efficiency.

Focusing on the real economy to boost comprehensive financial service capabilities. We will thoroughly implement the plans and requirements of the 20th CPC National Congress for building a modern industrial system, seize policy and market opportunities in a timely and accurate manner, update the way of thinking in operating industries and enterprises, enhance the ability to adapt to the new technological revolution, and promote investment and operation from a digital, intelligent and ecosystem-based perspective. In the field of corporate banking business, we will dig deeper into such key regions as the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Beijing-Tianjin-Hebei region as well as strategic emerging industries for comprehensive financial service needs. In practice, we will always prioritize serving the manufacturing sector; have our service deeply penetrate areas such as green, smart manufacturing and low-carbon transformation of traditional industries, and accelerate the pace of innovation in inclusive finance. We will improve the quality and efficiency of services for micro and small enterprises and private enterprises, implement the strategy of rural revitalization, and expand online financing services in key industries such as agricultural science and technology. We will also strongly support the healthy and stable development of the real estate industry. In the field of retail banking business, we will overhaul our wealth management business mode by putting wealth management products online and operating them in an ecosystem-based way to enhance the core competitiveness of our private banking brand. In the field of financial market business, we will allow "SPDB Risk Hedging" to better support our customer management across the board, further optimize the development structure of the custody business, and help wealth management subsidiary boost investment research capabilities and enrich product supply, thus forming a strong synergy across the Group.

Make our featured business grow stronger and three major brands more influential in the market. As a response to the call of the national strategy for building prosperity through science and education and attaining a high level of self-reliance in science and technology, we will provide high-tech enterprises with a wide range of comprehensive financial services such as stocks, bonds and loans, to meet their funding needs throughout the whole life cycle from start-up to listing. Meanwhile, we will forge the "SPD Scientific & Technological Innovation" brand to consolidate our leading position in the market. Currently, we serve more than 40% of "little giant" SMEs producing new and unique products using special and sophisticated technologies, 50% of the enterprises listed on the Beijing Stock Exchange, more than 60% of the enterprises listed on the ChiNext Board, and 70% of the enterprises listed on the STAR Market. In the future, we will quicken innovation in green finance, cement cooperation with the carbon factor market, comprehensively improve our basic service, market-making and product development capabilities, and get actively involved in the innovative development of carbon derivatives, green notes, carbon-based inclusive finance and other products available at futures exchanges to further enrich the connotation of the "SPDB Green Creation" brand. Relying on the "SPDB Free Trade" brand as a platform, we will consolidate our leading position as the No.1 joint-stock bank in China, make the free trade dividends of Shanghai, Shenzhen and Hainan to be shared by other places of the country, and create a new four-in-one service pattern that integrates free trade, offshore banking, overseas branches and overseas investment banking. In doing so, we will continue to enhance the service capability of our international business.

Uphold the values of long-termism to drive strategy execution. At SPD Bank, long-termism offers everyone an effective shield against various uncertainties. We will continue to implement the strategies of full-range customer management, comprehensive business operation and panoramic ecosystem-based operation, and ensure the problem-oriented approach and systematic concept can run through every aspect of our business. We will carry right things through, make quick response, strengthen regional coordination and cooperation, and get rid of problems and bottlenecks in the service process, regaining the advantages in agile development. We will uphold the spirit of craftsmanship, maintain strategic determination, stay true to the goal of "delivering excellence in every respect", press ahead with three-pronged transformation, that is, asset-light operation, "carbon peaking and carbon neutrality" and digitalization, and achieve the strategic goal of high-quality development with the strong power of execution.

At the age of 30, SPD Bank sets sail again to embark on a new journey. We always believe that dreams can light up the way forward. Everyone at the Bank will think big and take action. Dedicated to providing sincere and wholehearted services, we will secure breakthroughs in business growth, and make new strides in the building of a first-class bank in all respects with the pioneering spirit and vigorous, pragmatic and efficient measures.

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


Wang Jianping
Chairman of the Board of Supervisors

Message from Chairman of the Board of Supervisors

The year 2022 was extremely exceptional. In the face of the complex and severe situations at home and abroad, we thoroughly implemented the decisions and plans of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government, followed regulatory requirements, and focused on our strategic objectives and main operation tasks in the long run to attain steady development despite numerous challenges and setbacks. Specifically, we served the real economy in a more impactful and effective manner, enhanced the market competitiveness of our featured businesses, made steady progress toward ecological and systematic operation, continued to solidify the line of defense for risk management and internal control, and improved the efficiency of basic management constantly. In short, we basically achieved the target of stabilizing growth for 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. As to problem identification, it revealed the weak links in operation and management by overseeing the duty performance of the Board of Directors, Senior Management and their members, financial management, risk management, internal control compliance, and other aspects in accordance with the law. In terms of problem solving, it actively gave supervisory opinions and suggestions and urged the Bank to effectively solve the identified problems, thus boosting high-quality and sustainable development of the Bank.

In 2022, the Board of Supervisors convened meetings in accordance with pertinent laws and regulations to mainly review and consider major operation and management matters concerning strategic planning, capital management, periodic reports, risk management, write-off of asset losses, internal control compliance and consumer protection, among other topics. The Board of Supervisors and its special committees worked in a democratic atmosphere, and issued independent, adequate and professional opinions on the matters under deliberation. Specifically, it proposed strengthening compliance and internal control through flexible means to enhance business compliance. It strictly curbed new risks and mitigated old ones, optimized provisioning, and built risk prevention capabilities. It further explored new ways to dispose of and manage non-performing loans, to effectively safeguard the Bank's rights and interests. It further intensified marketing efforts, attached importance to investor relations management, and protected consumer rights and interests, with a view to winning greater market recognition. The opinions and suggestions voiced by the Board of Supervisors were taken seriously by the Senior Management, a prerequisite for giving full play to the supervisory function.

The Board of Supervisors of the Bank oversaw the duty performance in accordance with the law, attended important meetings of the Board of Directors and the Senior Management, and supervised the decision-making procedures and implementation of significant matters. It evaluated the duty performance of the Board of Directors and its members, the Senior Management and its members and supervisors, and produced performance evaluation reports that were submitted to the regulatory authorities and to shareholders through the Shareholders' Meeting. It also organized or conducted corporate supervision and evaluation, and prepared supervision and evaluation reports that were sent to the competent authorities, with a view to enhancing the corporate governance capabilities of the Bank continuously.

The Board of Supervisors of the Bank continued to carry out supervision in key areas such as risk management, financial management, and internal control pursuant to regulatory requirements. It organized or carried out special supervisory inspections on such matters as the approval of annual final accounts and rectification made thereof, early warning indicators of financial risks and the resolution/disposal of material risk matters, and produced special reports and submitted them to the competent authorities. Meanwhile, it paid close attention to the truthfulness, accuracy and completeness of periodic reports and stepped up the supervision of major financial decisions and their implementation. Focusing on the areas exposed to severe risks and problems, it promptly put forward supervisory suggestions concerning operation and management to the Senior Management, and urged it to strengthen problem-oriented management, with operation quality and efficiency further assured.

The Board of Supervisors conducted surveys and research on primary-level institutions and Head Office management departments, to get informed of how they implemented the Bank's strategies/decisions, risk compliance requirements and regulatory instructions as well as the difficulties, problems and shortcomings facing

Message from Chairman of the Board of Supervisors

them in the operation and management process, and promptly updated the Senior Management on the findings. It worked harder to build supervision mechanisms and generate a greater supervision synergy. By continuously increasing its communication with internal audit departments, external audit agencies and disciplinary inspection and supervision departments, it kept forming a supervision synergy in compliance, risk, audit and disciplinary inspection to get more out of supervisory efforts.

In 2023, China will act on the core instructions of the 20th CPC National Congress on all fronts. For SPD Bank, the year not just represents a milestone in our three-year action plan, but also marks our 30th anniversary. It is from this year that we will carry on our legacy and take on a new look. Guided by the instructions of the 20th CPC National Congress, the Board of Supervisors of the Bank will actively implement the decisions and plans of the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government, earnestly meet the financial supervision requirements of the regulatory authorities, perform its duties in accordance with pertinent laws and regulations, strive to enhance the effectiveness of supervision, and build the corporate governance system and capacity continuously. In brief, it will gear the Bank up for the new journey toward the building of a first-class joint-stock commercial bank in all respects.

Wang Jianping, Chairman of the Board of Supervisors

2 Corporate Profile & Main Financial Indicators

Corporate Profile

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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Email address	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		SPDB P 1	360003	-
		SPDB P 2	360008	-
Convertible corporate bond		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 performing continuous supervision duties during the reporting period	Name	CITIC Securities Co., Ltd.
	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 July 2022. Among all the Chinese-funded banks on the list, the Bank ranked 9th.
Fortune	SPD Bank ranked 226th among the "Fortune Global 500", which was released by the US magazine Fortune in August 2022. Among all the Chinese-funded banks on the list, the Bank ranked 8th.
Forbes	SPD Bank ranked 108th among the "Forbes Global 2000", which was released by the US magazine Forbes in May 2022. Among all the Chinese-funded enterprises and banks on the list, the Bank ranked 20th and 9th, respectively.

Corporate Profile

Brand value	
Brand value	SPD Bank ranked 27th among the "Top 500 Banking Brands", which was released by the British magazine The Banker in February 2023. Among all the Chinese-funded banks on the list, the Bank ranked 11th. Its brand value was worth USD11,074 million.
ESG	SPD Bank saw its rating upgraded from "BBB" to "A" in the 2022 Environmental, Social and Corporate Governance (ESG) ratings released by Morgan Stanley Capital International (MSCI) in November 2022.

Credit Ratings

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 2021
Ministry of Public Security	Excellent Performer in 2022 Cybersecurity Drill
China Association for Public Companies	Typical Cases from China' Listed Companies in Digitalization for 2021 Best Practices from Listed Companies in Annual Results Presentation for 2021
Shanghai Financial Association	Excellent Research Results Achieved by Shanghai Financial Industry in Reform and Development
China UnionPay Co., Ltd.	Contributor to Bankcard-related Technical Cooperation in 2021
National Internet Finance Association of China	Enterprise Standard Forerunner of 2021
Artificial Intelligence Industry Alliance	2022 Reliable AI Cases - Model Case of Artificial Intelligence Platform Application (SPD Bank Deep Learning Platform) 2022 Reliable AI Cases - Model Case of Reliable Artificial Intelligence Practice (SPD Bank Privacy Computing Data Connector)
Shanghai Clearing House	Model Clearing Member, Model Proprietary Clearing Agency, Model Agency Clearing Agency, Model Settlement Member, Model Settlement Business Participant, Model Policy Financial Bond Underwriter, Model Counter Bond Business Participant, Model Innovative Business Promoter, Model Risk Management Partner, Model Foreign Currency Repo Clearing Participant, Model NCD Issuer, Active Quote Offering Agency of Credit Default Swap Index, One of the First Participants in Credit Default Swap Index and Contributor to the Opening of the Local Currency Market to the World

National Interbank Funding Center	Core Dealer, Money Market Dealer, Bond Market Dealer, Derivatives Market Dealer, NCD Issuer, Market Co-builder; Innovation of the Year Award: Bond Underwriting, X-Repo, X-Bond, X-Bargain, Bond Strategy Trading, X-Lending, X-Swap, iDeal and Automated Trading
China Central Depository & Clearing Co., Ltd. (CCDC)	Bond Market Leader of the Year, Model Financial Bond Issuer, Model Bond Underwriter, Model Underwriter of Local Counter Bond Business, Top 100 Proprietary Settlers, Model Asset Custodian, Model Contributor to International Business, Model Valuation Agency and Model Underwriter of ChinaBond Green Index
China Foreign Exchange Trade System (CFETS)	Core Dealer, Model Bond Market Dealer, Model Derivatives Market Dealer, Model Market Co-builder, Model Bond Underwriter and Innovation Award: X-Bond, X-Bargain, X-Lending, X-Swap, Bond Strategy Trading, iDeal and Automated Trading
Shanghai Clearing House	Model Clearing Member, Model Proprietary Clearing Agency, Model Policy Financial Bond Underwriter, Model Counter Bond Business Participant, Model Innovative Business Promoter Institution and Model Risk Management Partner
Shanghai Futures Exchange	2022 Model Dealer
Shanghai Gold Exchange	Best Leasing Business Participant
Wealth APAC	Private Banking Department was granted the Jinzhen Awards: Best Family Wealth Inheritance Service in Chinese Private Banking Private Banking Department was granted the Xinhuo Awards: Top 50 Family Wealth Managers in China for 2022
China Financial Certification Authority, the Year of Joint Promotion of Digital Finance and www.cebnet.com.	SPD Bank app granted the Best Personal Mobile Banking Award in 2022
Ministry of Industry and Information Technology (MIIT)	SPD Bank app granted the Excellent Case Award for User Experience Industry Applications by China Quality Management Association for Electronics Industry, MIIT
People.cn	Credit Card Center granted the Green Development Award in the 17th People's Corporate Social Responsibility Award selection
China Business Top 100	Top 100 Enterprises and the 20-year Special Contribution Award of China's Top 100 Enterprises

2. Corporate social responsibility	
Shanghai Municipal People's Government	1st Shanghai Charity Awards under the category of Charitable Enterprises
Fortune	Among the 2022 Fortune China ESG Impact List

Corporate Profile

(Expressed in millions of RMB unless otherwise stated)

2.7 Major Accounting Data and Financial Indicators

	2022	2021	Increase/decrease over the same period of the previous year (%)	2020
Major accounting data				
Operating income	188,622	190,982	-1.24	196,384
Total profit	56,149	59,071	-4.95	66,682
Net profit attributable to the parent company's shareholders	51,171	53,003	-3.46	58,325
Net profit attributable to the parent company's shareholders deducting the non-recurring profit or loss	50,810	52,550	-3.31	57,910
Net cash from operating activities	365,099	-257,192	N/A	126,385
Main financial indicators (RMB/share)				
Basic earnings per share	1.56	1.62	-3.70	1.88
Diluted earnings per share	1.44	1.50	-4.00	1.73
Basic earnings per share after deducting non-recurring profit or loss	1.55	1.61	-3.73	1.87
Net cash flows from operating activities per share	12.44	-8.76	N/A	4.31
Profitability indicators (%)				
Weighted ROE	7.98	8.75	Down 0.77 percentage point	10.81
Weighted ROE after deducting non-recurring profit or loss	7.92	8.67	Down 0.75 percentage point	10.73
Returns on average total assets	0.62	0.67	Down 0.05 percentage point	0.79
Fully-diluted ROE	7.79	8.51	Down 0.72 percentage point	10.46
Fully-diluted ROE excl. non-recurring profit or loss	7.73	8.43	Down 0.70 percentage point	10.38
Net interest spread	1.72	1.77	Down 0.05 percentage point	1.97
Net interest margin	1.77	1.83	Down 0.06 percentage point	2.02
Cost-to-income ratio	27.89	26.17	Up 1.72 percentage points	23.78
Cash dividend ratio	20.50	25.26	Down 4.76 percentage points	25.50
Percentage in total operating income (%)				
Net interest income to operating income	70.87	71.19	Down 0.32 percentage point	70.57
Non-interest income to operating income	29.13	28.81	Up 0.32 percentage point	29.43
Net income of fee and commission to operating income	15.21	15.25	Down 0.04 percentage point	17.29

Corporate Profile

(Expressed in millions of RMB unless otherwise stated)

	At the end of 2022	At the end of 2021	Increase/decrease over the same period of the previous year (%)	At the end of 2020
Scale indicators				
Total assets	8,704,651	8,136,757	6.98	7,950,218
Incl.: Total loans	4,900,662	4,786,040	2.39	4,533,973
Total liabilities	7,997,876	7,458,539	7.23	7,304,401
Incl.: Total deposits	4,826,478	4,403,056	9.62	4,076,484
Net assets attributable to the parent company's shareholders	697,872	670,007	4.16	638,197
Net assets attributable to the parent company's ordinary shareholders	587,963	560,098	4.98	528,288
Net assets per share attributable to the ordinary shareholders of the parent company (RMB)	20.03	19.08	4.98	18.00
Asset quality indicators (%)				
NPL (non-performing loans) ratio	1.52	1.61	Down 0.09 percentage point	1.73
Allowance to NPL	159.04	143.96	Up 15.08 percentage points	152.77
Allowance to total loans	2.42	2.31	Up 0.11 percentage point	2.64

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 2022. The Bank paid interest of RMB1,419 million on SPDB 2019 Perpetual Bonds in July 2022 and interest of RMB2,375 million on SPDB 2020 Perpetual Bonds in November 2022, 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 rate = cash dividend amount/net profit attributable to the parent company's ordinary shareholders in the consolidated statements

Corporate Profile

(Expressed in millions of RMB unless otherwise stated)

in the bonus year. The rate is calculated based on 29,352,174,170, 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.

2.8 Key Financial Data per Quarter of the Group in 2022

Item	1st quarter (Jan. – Mar.)	2nd quarter (Apr. – Jun.)	3rd quarter (Jul. – Sep.)	4th quarter (Oct. – Dec.)
Operating income	50,002	48,642	45,036	44,942
Total profit	22,742	11,791	10,931	10,685
Net profit attributable to the parent company's shareholders	19,388	10,786	10,288	10,709
Net profit attributable to the parent company's shareholders deducting the non-recurring profit or loss	19,256	10,606	10,255	10,693
Net cash flows from operating activities	-274,764	340,021	-88,700	388,542

2.9 Non-recurring Profit or Loss and Amount

Item	2022	2021	2020
Profit or loss from disposal of non-current assets	84	26	-8
Government subsidies	651	856	720
Other net non-operating expense	-124	-134	-54
Income tax effect of non-recurring profit or loss	-174	-217	-179
Total	437	531	479
Incl.: Non-recurring profit or loss attributable to the parent company's ordinary shareholders	361	453	415
Non-recurring profit or loss attributable to minority shareholders	76	78	64

2.10 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).

Management Discussion & Analysis 3

Management Discussion and Analysis

The Bank vigorously implemented the instructions of the 20th CPC National Congress, ensured the political and people-oriented nature of financial work, upheld the new development philosophy, and served the formation of a new development pattern. While promoting high-quality development with every effort, it focused on national strategies and plans to better serve the real economy, scientific and technological innovation and industrial upgrading with financial strength. By expediting its digitalization, the Bank went all out to grow into an asset-light bank, a green bank and a panoramic bank, increased the supply of financial services in such key areas such as scientific and technological innovation, green development, free trade, inclusive finance and rural revitalization. As a socially responsible enterprise serving the overall economic and social development, it contributed financial strength to building China into a modern socialist country in all respects.

3.1 Overall Business Operation of the Bank

In the face of the complex and severe situation during the reporting period, the Bank thoroughly implemented the decisions and plans of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government as well as regulatory requirements to shoulder the mission of state-owned financial enterprises. Under the leadership of the Party Committee, it closely followed 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 actively pushed forward the implementation of the 14th Five-Year Plan and the transformation and development of various fields. As a result, it served the development of the real economy with quality and efficiency further assured and put the pursuit of high-quality development on a firm footing.

Assets and liabilities grew in scale steadily

As at the end of the reporting period, the total assets of the Group posted RMB8,704,651 million, representing an increase of RMB567,894 million or 6.98% over the end of the previous year. Of these, the total loans in local and foreign currencies (including discounted bills) stood at RMB4,900,662 million, representing an increase of RMB114,622 million or 2.39% over the end of the previous year. Total corporate loans (excluding discounted bills) stood at RMB2,598,058 million, and total retail loans were RMB1,892,400 million. The Group's total liabilities amounted to RMB7,997,876 million, an increase of RMB539,337 or 7.23% over the end of last year, of which the total deposits in local and foreign currencies stood at RMB4,826,478 million, an increase of RMB423,422 million or 9.62% over the end of the previous year. The proportion of deposits in total liabilities went up by 1.32 percentage points from the end of the previous year, which attested to an improvement in the liability structure and the great stability of liability sources.

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 RMB188,622 million, down RMB2,360 million or 1.24% year on year; the total profit of RMB56,149 million, down RMB2,922 million or 4.95% year on year; and the net profit attributable to the parent company's shareholders of RMB51,171 million, down RMB1,832 million or 3.46% year on year. Its average return on assets (ROA) was 0.62%; weighted average return on equity (ROE) was 7.98%, and cost-to-income ratio was 27.89%.

Asset quality continued to improve

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 quarterly NPL balance and ratio on the decline for three consecutive years. As at the end of the reporting period, the Group's NPL balance reported RMB74,619 million, down RMB2,210 million from the end of the previous year; its NPL ratio stood at 1.52%, down 0.09 percentage point from the end of last year; its provision coverage ratio was 159.04%, up 15.08 percentage points from the end of a year earlier; and its allowance to total loans ratio registered 2.42%.

The quality and efficiency of group-wide and international operation improved

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. 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. During the reporting period, the major companies invested by the Group achieved a combined revenue of RMB12,441 million, up 12.82% year on year, and net profit of RMB4,099 million, up 7.00% year on year; and the international business platforms posted total assets of RMB355,217 million and realized a revenue of RMB4,905 million, representing a year-on-year increase of 19.72%.

3.2 Analysis on Core Competitiveness

3.2.1 Regional advantages were consolidated continuously

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

Always taking the Yangtze River Delta as a strategic stronghold for its business development, the Bank has developed a sophisticated network of outlets, featured businesses and service advantages in the region. It has established seven branches in Shanghai, Nanjing, Hangzhou, Ningbo, Suzhou, Hefei and China (Shanghai) Pilot Free Trade Zone ("Shanghai FTZ") across the Yangtze River Delta region, which operate 510 business entities in total and hire over 13,500 employees. Taken together, the Bank has secured a leading position among joint-stock banks in the region by both business coverage and service capabilities. Ahead of all peers, the Bank set up a management headquarters of the Yangtze River Delta Integrated Development Demonstration Zone, and launched a series of innovative, distinctive financial services such as "Yangtze River Delta Loan", "Yangtze River Delta Bond", "Yangtze River Delta Purchase" and "Yangtze River Delta Chain" 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. While extensively promoting its two brand images as "a bank based in the Yangtze River Delta" and "a bank that goes global from the Yangtze River Delta", the Bank applied its successful experience in the Yangtze River Delta region to other places in China, with a view to further serving the major national strategies for regional development such as the Beijing-Tianjin-Hebei region and the Guangdong-Hong Kong-Macao Greater Bay Area.

As at the end of the reporting period, the Bank's assets in the Yangtze River Delta region totaled RMB2.45 trillion, with the outstanding loans standing at RMB1.56 trillion and the outstanding deposits RMB2.07 trillion. The Bank ranked first among joint-stock banks in China by outstanding deposits and loans.

Expanding advantages in free trade finance

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 relied on the three joint free trade platforms in Shanghai, Shenzhen and Hainan to meet needs of high-quality customers nationwide for cross-border financial services related to free trade. The Bank continued to lead other joint-stock banks of the country measured by core indicators of free trade business. As at the end of the reporting period, the Bank saw its free trade deposits and loans exceeding RMB65 billion and RMB60 billion, respectively.

3.2.2 Steady progress was made toward the building of an asset-light bank, a green bank and a panoramic bank

(1) Making headway toward asset-light operation to better serve the real economy

During the reporting period, the Bank pushed forward the asset-light transformation of its retail, corporate 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. By saving capital consumption, optimizing capital structure, and strengthening intensive operation, the Bank integrated financial services into the whole-journey and whole-cycle customer services, thus switching to the fully upgraded mode of operation and management.

<u>Retail banking business</u>

Wealth management: Pursuing a customer and value-oriented approach, the wealth management business created open product shelves, the fund business line forged a featured brand through extending multi-pronged presence, and the insurance business line deepened cooperation with industry leaders to sharpen its competitive edge. Proceeding from asset allocation, the Bank promoted the refined management of wealth management business, built a professional team, and forged core competitiveness in wealth management. While accelerating the process of retail digitalization 3.0, it promoted the deep integration of technology and business to improve the quality of wealth management services. The Mobile Banking app launched the brand new 11.8 version, the Fortune column worked with partners to build an ecosystem of integrated financial services, and the digital and remote asset management modules used both AI and humans for customer service to create a closed-loop mode of online and offline marketing. As at the end of the reporting period, the number of personal customers (including credit card holders) exceeded 143 million, the balance of AUM from personal customers (including market value) reached RMB3.95 trillion, private banking customers above the designated scale (monthly average daily financial assets of RMB8 million or above) numbered 28,000, and AUM from private banking customers went beyond RMB530 billion.

Credit card business: In the pursuit of technology-empowered development, the Bank upgraded the planning for green and low-carbon finance, actively served consumption in the fields concerning people's livelihood with both transaction volume and net new loans expanded steadily, and pressed ahead with the risk management strategy with valuable customer group operation at the core. As at the end of the reporting period, the Bank had 51,331,600 credit cards in circulation, up 5.98% year on year; the balance of credit card loans amounted to RMB433,693 million, up 4.22% year on year; the "Joyful SPD Credit Card" app had 25.08 million monthly active users, up 24.16% year on year. During the reporting period, the Bank's credit card transactions amounted to RMB2,417,472 million, a year-on-year increase of 9.11%; and the business generated a total income of RMB43,733 million, a year-on-year rise of 14.85%.

Consumer finance: The Bank upgraded the "Mega Small Loan" customer management mode, launched the Small Loan for Quality Customers, and built an auto finance service system to embed credit services into consumption scenarios pivotal to people's livelihood.

Corporate banking business

Investment banking business: During the reporting period, the Bank fully capitalized on its major advantages in businesses and licenses, focused on market opportunities brought by the state-owned enterprise reform and expanded infrastructure construction to serve the real economy and national strategies. As at the end of the reporting period, the Bank granted RMB69,045 million new M&A loans, an increase of 15.06% year on year, and underwrote RMB423.5 billion as lead underwriter in debt financing instruments. The Bank ranked top in the market in terms of the underwriting amount.

Transaction banking: The Bank launched the innovative product "Clearing Connect", with the business volume exceeding RMB130 billion, to apply digital currency in the field of corporate business. It introduced cash management service solutions for 19 industries, implementing more than 6,100 projects in corporate scenarios and acquiring more than 400,000 active customers in payment and settlement. The "SPD Bank Digital and Intelligent Transaction Banking E+" WeChat applet was unveiled to empower enterprises to grow together for win-win outcomes. Besides, the number of core supply chain customers reached 1,230 and that of upstream and downstream supply chain customers hit 17,036, of which, upstream and downstream customers of auto finance numbered 2,462. The "i Forex" Cross-Border Comprehensive Financial Services Program was released, and the volume of cross-border RMB collection and payment went beyond RMB990 billion.

Science and Tech finance: While continuing to increase its financial support for scientific and technological innovation, the Bank made strides in ecosystem-based integrated operation of stocks, bonds and loans and tapped into corporate customer groups such as SMEs producing new and unique products using special and sophisticated technologies and high-tech enterprises to make the "SPD Scientific & Technological Innovation" brand grow stronger. As at the end of the reporting period, the Bank served more than 50,000 high-tech companies, representing an increase of 25% from the beginning of the year. The loan balance of these companies exceeded RMB390 billion, up 28% from the beginning of the year. Of the companies listed on the STAR Market, more than 70% were customers of the Bank. Therefore, the Bank established its brand by helping enterprises get listed on the STAR Market.

Financial market business

Bond trading: 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 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 scale of fund assets operated by the Bank reached RMB2.5 trillion.

"SPDB Risk Hedging" accelerated the transformation from product output to strategy output. Guided by the concept of "being open, integrated and attentive", the brand provided professional hedging services to market players and helped customers maintain sound operation, thus gaining more visibility. During the reporting period, the brand served 22,500 customers in the real economy, posting a cumulative income of over RMB2.15 billion.

Custody business: The Bank strove to build the "SPD Custodian" brand by deepening business cooperation, leveraging cutting-edge technologies, and laying a solid foundation for operational compliance. Consequently, the asset custody business continued to develop steadily and make greater comprehensive contribution. As at the end of the reporting period, the Bank's assets under custody totaled RMB15.18 trillion, which brought a custodian fee income of RMB2,735 million.

(2) 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 businesses, 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 Creation" brand grow stronger.

As at the end of the reporting period, the balance of green credit reached RMB427.1 billion, up 37% from the beginning of the year, which included RMB165.6 billion of outstanding green credit loans in the Yangtze River Delta region and RMB118.4 billion of outstanding corporate loans to the clean energy industry, both ranking the top among joint-stock commercial banks in China. With the support of carbon emission reduction instruments, the Bank granted carbon emission reduction loans of RMB23.9 billion to 180 projects, which contributed to an annual reduction of 5.88 million tons in CO2 equivalent (tco2e). Since the obtainment of carbon emission reduction instruments, the Bank has issued carbon emission reduction loans of RMB34 billion to 215 projects in total, which contributed to an annual reduction of 8.09 million tons in CO2 equivalent, a figure at the forefront of joint-stock commercial banks in China.

The Bank underwrote RMB13,818 million of green debt financing instruments and social responsibility bonds, a figure at the forefront of joint-stock commercial banks in China. Of these, green debt financing instruments underwritten by the Bank amounted to RMB9,568 million. In the meantime, the Bank served as the sole lead underwriter of the first carbon asset bonds in the market, with an issuance size of RMB1 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 (CDB). 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.

Management Discussion and Analysis

(Expressed in millions of RMB unless otherwise stated)

(3) 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, continued to build a new digitalized customer management system, strengthened the application of financial technology (fintech) to help services go online and become more intelligent, built a platform with a diversity of ecological scenarios, empowered the digitalized development of industries, served the transformation and upgrading of the real economy, and brought the building 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.

Intelligent retail banking business: The Bank continued to come up with technical means that could be adapted to the future development of retail business. The Bank's mobile banking transactions crossed the RMB100 billion mark, and its MAUs of retail mobile banking increased by 44% from the beginning of the year to 25.35 million. The Bank kept creating the "Puhui", "Tianju" and other service platforms, improved e-commerce scenarios and channels, launched the "Life Account" open platform to provide corporate customers with such new services as online sales and private domain operations, and expanded the base of retail customers in the B2B2C mode. The Bank made inroads into the building of the "smartest wealth management bank" and facilitated the efficient conversion from MAU to AUM. The "Digital Wealth Manager" program was carried out to offer professional, considerate, guided intelligent wealth advisory services, forming a new three-tier system for intelligent wealth management service: "customer acquisition, interaction and companionship", which served more than 10 million customers and empowered wealth management business to go online faster.

Industrial digital finance: To well integrate into the development process of digital economy, the Bank empowered customers with the combination of financial and non-financial means, and improved the quality and efficiency of financial services provided for the real economy. For industries or fields such as automobile, supermarkets and rural areas, the Bank built industry-wide solutions from many dimensions such as unified collection and reconciliation, logistics supervision, warehouse management, precision marketing and rural e-commerce to facilitate the digitalized transformation of traditional industries. As to corporate treasury management, internal operation and management and other areas, the Bank launched digital solutions such as invoice cloud and equity incentive, and upgraded the functions of platforms including cloud fund supervision, cloud enterprise resource planning (ERP), cloud multi-banking and SPD Payroll, to enhance the digital management capabilities of small and medium-sized enterprises (SME) and drive the upgrade of banking business mode. Meanwhile, the Bank went all out to expand the API "Connection into homes" program, by creating 1,538 new API components and adding more than 4.09 million new active customers through the API mode. In this way, it contributed to the growth of businesses such as settlement deposits, valuable customers, agency issuance and AUM.

Digital risk control: The Bank iterated and upgraded the digital risk control system with the Sky Eye system as the core, and created a digital risk control center supported by the customer risk forewarning system, off-site monitoring system and risk monitoring model system. Besides, it introduced multi-dimensional external data such as industrial and commercial information to effectively assist in auditing and lending decisions. The Bank restructured the enterprise-level credit system as scheduled and integrated it with the Sky Eye system to do better in whole-process business development and risk control.

3.3 IT Input

	2022	2021	Increase (%)
IT input (In RMB millions)	7,007.04	6,706.10	4.49
The number of persons engaged in technological development at the parent bank	6,447	6,428	0.30

(Expressed in millions of RMB unless otherwise stated)

3.4 Analysis of Income Statement

During the reporting period, the Group managed to develop various businesses. Its operating income hit RMB188,622 million, down RMB2,360 million or 1.24% year on year, and the net profit attributable to the parent company's shareholders posted RMB51,171 million, a decrease of 3.46% year on year.

Item	The reporting period	Same period of last year	Change in amount
Operating income	188,622	190,982	-2,360
- Net interest income	133,669	135,958	-2,289
- Net fee and commission income	28,691	29,134	-443
- Other net income	26,262	25,890	372
Operating expenses	132,349	131,777	572
- Tax and surcharges	2,059	2,004	55
- General and administrative expenses	52,607	49,978	2,629
- Impairment losses on credit assets and impairment losses on other assets	75,999	78,344	-2,345
- Other operating costs	1,684	1,451	233
Net non-operating income and expenses	-124	-134	10
Total profit	56,149	59,071	-2,922
Income tax expense	4,152	5,305	-1,153
Net profit	51,997	53,766	-1,769
Net profit attributable to the parent company's shareholders	51,171	53,003	-1,832
Minority interest income	826	763	63

3.4.1 Operating income

During the reporting period, the Group's total business income was RMB363,548 million, representing a year-on-year decrease of RMB2,882 million or 0.79%.

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	2022	2021	2020
Net interest income (%)	70.87	71.19	70.57
Net fee and commission income (%)	15.21	15.25	17.29
Other net income (%)	13.92	13.56	12.14
Total	100.00	100.00	100.00

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(Expressed in millions of RMB unless otherwise stated)

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

Item	Amount during the current period	Percentage in total business income (%)	Increase/decrease over the same period of the previous year (%)
Loan interest income	216,921	59.67	-0.74
Interest income on investment	61,964	17.04	-4.11
Fee and commission income	37,766	10.39	-5.22
Interest income on due from and placements with banks and other financial institutions	15,036	4.14	27.53
Interest income from balance with central bank	5,599	1.54	-2.35
Other income	26,262	7.22	1.44
Total	363,548	100.00	-0.79

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

Region	Operating income	Increase/decrease over the same period of the previous year (%)	Operating profit	Increase/decrease over the same period of the previous year (%)
Head Office	76,816	-2.43	22,243	-27.67
Yangtze River Delta Region	39,685	-1.02	20,194	-10.87
Pearl River Delta and West Side of Taiwan Strait	13,431	-3.26	5,026	-26.99
Bohai Rim	15,405	-0.86	7,261	23.19
Central China	12,961	-17.85	994	-87.60
Western China	11,792	21.01	-6,982	Negative in the same period of last year
North-eastern China	4,359	8.54	1,116	Negative in the same period of last year
Overseas institutions and subsidiaries	14,173	7.40	6,421	-0.47
Total	188,622	-1.24	56,273	-4.95

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.

(Expressed in millions of RMB unless otherwise stated)

3.4.2 Net interest income

During the reporting period, the Group incurred a net interest income of RMB133,669 million, a decrease of RMB2,289 million or 1.68% 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.

	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	4,765,867	216,921	4.55	4,661,142	218,546	4.69
Investments	1,750,402	61,964	3.54	1,781,070	64,623	3.63
Balance with central bank	373,734	5,599	1.50	390,163	5,734	1.47
Due from and placements with banks and other financial institutions	682,979	15,036	2.20	582,308	11,790	2.02
Total	7,572,982	299,520	3.96	7,414,683	300,693	4.06

	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	4,610,838	96,828	2.10	4,216,453	84,867	2.01
Due to and placements from banks and other financial institutions	1,177,806	23,829	2.02	1,488,962	33,704	2.26
Debt securities issued	1,398,338	39,212	2.80	1,246,472	38,664	3.10
Due to central bank	208,562	5,982	2.87	250,784	7,500	2.99
Total	7,395,544	165,851	2.24	7,202,671	164,735	2.29

3.4.2.1 Interest income

During the reporting period, the Group generated interest income of RMB299,520 million, down RMB1,173 million or 0.39% year on year.

Interest income from loans and advances

	The reporting period			Same period of last year		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	2,460,496	96,127	3.91	2,386,881	91,588	3.84
Retail loans	1,881,180	110,209	5.86	1,829,319	112,530	6.15
Discounted bills	424,191	10,585	2.50	444,942	14,428	3.24

Note: Of these, the average yield of general short-term loans and medium and long-term loans was 5.16% and 4.50%, respectively.

Management Discussion and Analysis

(Expressed in millions of RMB unless otherwise stated)

Interest income on investment

During the reporting period, the Group's interest income on investment stood at RMB61,964 million, representing a year-on-year decrease of 4.11%. The average yield on investment was 3.54%, representing a decrease of 0.09 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 RMB15,036 million, up 27.53% over the prior year; and it saw the average yield from such business increasing by 0.18 percentage point over last year to 2.20%.

3.4.2.2 Interest expense

During the reporting period, the Group's interest expense was RMB165,851 million, representing a year-on-year increase of RMB1,116 million or 0.68%. The rise was mainly attributed to the growing interest expense on deposits from customers.

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers stood at RMB96,828 million, representing a year-on-year increase of 14.09%. The average cost ratio reported 2.10%, representing an increase 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.

	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	1,746,931	25,042	1.43	1,654,730	20,234	1.22
Time deposits	1,747,138	46,026	2.63	1,580,304	41,014	2.60
Retail customers						
Current deposits	321,261	869	0.27	284,660	884	0.31
Time deposits	795,460	24,891	3.13	696,710	22,735	3.26

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 RMB23,829 million, a decrease of 29.30% over the previous year.

Interest expense on debt securities issued

During the reporting period, the Group recorded interest expenses of RMB39,212 million on debt securities in issue, an increase of 1.42% over the previous year.

(Expressed in millions of RMB unless otherwise stated)

3.4.3 Net non-interest income

During the reporting period, the Group racked up the net non-interest income in RMB54,953 million, down 0.13% year on year. Specifically, net fee and commission income fell by 1.52% to RMB28,691 million, and other non-interest income went up by 1.44% to RMB26,262 million.

	The reporting period		Same period of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Net fee and commission income	28,691	52.21	29,134	52.95
Incl.: Fee and commission income	37,766	68.72	39,847	72.42
Fee and commission expenses	-9,075	-16.51	-10,713	-19.47
Profit or loss on investments	19,877	36.17	17,297	31.44
Profit or loss on changes in fair value	-3,854	-7.01	4,504	8.19
Exchange profit or loss	6,692	12.18	813	1.48
Other business income	2,812	5.12	2,394	4.35
Profit or loss on asset disposal	84	0.15	26	0.05
Other income	651	1.18	856	1.54
Total	54,953	100.00	55,024	100.00

3.4.3.1 Fee and commission income

During the reporting period, the Group incurred a fee and commission income of RMB37,766 million, a decrease of RMB2,081 million or 5.22% year on year.

	The reporting period		Same period of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Fees from bank card business	14,403	38.14	12,863	32.28
Fees from custody business and other fiduciary activities	11,222	29.71	13,657	34.27
Fees from investment banking activities	3,775	10.00	3,694	9.27
Agency commission	4,090	10.83	4,799	12.04
Credit commitment fees	2,093	5.54	2,300	5.77
Settlement and clearing fees	992	2.63	971	2.44
Others	1,191	3.15	1,563	3.93
Total	37,766	100.00	39,847	100.00

Management Discussion and Analysis

(Expressed in millions of RMB unless otherwise stated)

3.4.3.2 Profit or loss on investments

During the reporting period, the Group reaped an income on investments of RMB19,877 million, a year-on-year increase of 14.92%.

	The reporting period		Same period of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Held-for-trading financial assets	16,954	85.29	11,020	63.71
Net profit from bill trading spread	2,188	11.01	1,593	9.21
Precious metals	-3,866	-19.45	1,675	9.68
Investments on long-term equity as calculated by equity method	230	1.16	223	1.29
Other equity instrument investments	121	0.61	52	0.30
Other creditor's rights investments	321	1.61	-379	-2.19
Derivatives	795	4.00	1,792	10.36
Creditor's rights investments	2,683	13.50	1,010	5.84
Others	451	2.27	311	1.80
Total	19,877	100.00	17,297	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 RMB-3,854 million, representing a year-on-year decrease of 185.57%.

	The reporting period		Same period of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Precious metals	-3,069	79.63	74	1.64
Held-for-trading financial assets	-2,594	67.31	3,938	87.43
Hedged bonds	-497	12.90	-491	-10.90
Loans measured at fair value through profit or loss	-103	2.67	94	2.09
Derivatives	2,396	-62.17	997	22.14
Others	13	-0.34	-108	-2.40
Total	-3,854	100.00	4,504	100.00

(Expressed in millions of RMB unless otherwise stated)

3.4.4 General and administrative expenses

During the reporting period, the Group's general and administrative expenses were RMB52,607 million, representing a year-on-year increase of 5.26%. Cost-to-income ratio was 27.89%, representing a year-on-year increase of 1.72 percentage points.

	The reporting period		Same period of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Employee expenses	28,937	55.01	28,400	56.83
Depreciation and amortization expenses	6,801	12.93	6,226	12.46
Fees on short-term leases and leases of low-value assets	374	0.71	421	0.84
Others	16,495	31.35	14,931	29.87
Total	52,607	100.00	49,978	100.00

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

During the reporting period, the Group incurred impairment losses on loans and advances of RMB65,143 million, up 0.93% year on year.

	The reporting period		Same period of last year	
Item of impairment losses	Amount	Percentage (%)	Amount	Percentage (%)
Loans and advances to customers	65,143	85.72	64,542	82.38
Other assets	10,856	14.28	13,802	17.62
Total	75,999	100.00	78,344	100.00

3.4.6 Income tax expense

During the reporting period, the Group incurred an income tax of RMB4,152 million, a decrease of RMB1,153 million or 21.73% over the previous year. The effective income tax rate was 7.39%, down 1.59 percentage points year on year.

Item	The reporting period	Same period of last year
Profit before income tax	56,149	59,071
Income tax calculated at China's statutory tax rate	14,037	14,768
Effect of different tax rates applied by subsidiaries	49	-43
Effect of expenses that are not deductible	982	377
Effect arising from income not subject to tax	-10,035	-8,768
Other income tax adjustments	-881	-1,029
Income tax expense	4,152	5,305
Effective income tax rate (%)	7.39	8.98

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(Expressed in millions of RMB unless otherwise stated)

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 RMB8,704,651 million, representing an increase of RMB567,894 million or 6.98%, as compared with the end of the previous year.

	End of the reporting period		End of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans	4,900,662	56.30	4,786,040	58.82
Interest accrued on loans	16,309	0.19	15,257	0.19
Less: Allowance for impairment losses on loans at amortized cost	-118,621	-1.36	-110,343	-1.36
Financial investments	2,555,463	29.36	2,318,923	28.50
Long-term equity investment	2,655	0.03	2,819	0.03
Derivative financial assets	42,829	0.49	33,773	0.42
Cash and deposits with central bank	457,089	5.25	420,996	5.17
Due from and placements with banks and other financial institutions	632,014	7.26	433,898	5.33
Goodwill	6,981	0.08	6,981	0.09
Others	209,270	2.40	228,413	2.81
Total	8,704,651	100.00	8,136,757	100.00

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 RMB4,900,662 million, an increase of 2.39% from the end of last year. The ratio of total loans and advances to total assets was 56.30%, representing a decrease of 2.52 percentage points as compared with the end of the previous year.

3.5.1.2 Financial investments

	End of the reporting period		End of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Held-for-trading financial assets	708,984	27.74	526,034	22.68
Creditor's rights investments	1,196,691	46.83	1,306,188	56.33
Other creditor's rights investments	641,918	25.12	479,619	20.68
Other equity instrument investments	7,870	0.31	7,082	0.31
Total	2,555,463	100.00	2,318,923	100.00

(Expressed in millions of RMB unless otherwise stated)

Held–for–trading financial assets

	End of the reporting period		End of last year	
Item	Balance	Percentage (%)	Balance	Percentage (%)
Fund investments	444,881	62.75	394,804	75.06
Bonds	116,753	16.47	79,918	15.19
Trust and asset management plans	99,452	14.03	15,385	2.92
Securities income certificate	20,348	2.87	13,437	2.55
Equity investment	19,140	2.70	15,696	2.98
Other investments	8,410	1.18	6,794	1.30
Total	708,984	100.00	526,034	100.00

Creditor's rights investments

	End of the reporting period		End of last year	
Item	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	808,698	67.58	855,115	65.47
Trust and asset management plans	392,864	32.83	452,372	34.63
Other creditor's rights instruments	177	0.01	950	0.07
Accrued interest	14,424	1.21	17,527	1.34
Allowance for impairment losses	−19,472	−1.63	−19,776	−1.51
Total	1,196,691	100.00	1,306,188	100.00

Other creditor's rights investments

	End of the reporting period		End of last year	
Item	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	635,072	98.93	463,929	96.73
Asset management plans	–	–	9,200	1.92
Accrued interest	6,846	1.07	6,490	1.35
Total	641,918	100.00	479,619	100.00

Other equity instrument investments

	End of the reporting period		End of last year	
Item	Balance	Percentage (%)	Balance	Percentage (%)
Repossessed equity	2,700	34.31	2,908	41.06
Other investments	5,170	65.69	4,174	58.94
Total	7,870	100.00	7,082	100.00

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(Expressed in millions of RMB unless otherwise stated)

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

	End of the reporting period		End of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Ministry of Finance, local governments and central bank of China	868,635	55.66	788,947	56.40
Policy banks	306,576	19.65	295,573	21.13
Commercial banks and other financial institutions	223,586	14.33	191,198	13.67
Others	161,726	10.36	123,244	8.80
Total bond investments	1,560,523	100.00	1,398,962	100.00

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

Bond name	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses set aside
Policy bank bonds 2018	10,730	4.98	12 January 2025	0.94
Policy bank bonds 2018	8,930	4.73	02 April 2025	0.81
Policy bank bonds 2022	8,790	2.96	18 July 2032	0.79
Policy bank bonds 2022	8,350	2.98	22 April 2032	0.75
Policy bank bonds 2019	7,950	3.63	19 July 2026	0.72
Policy bank bonds 2022	7,640	2.69	16 June 2027	0.69
Policy bank bonds 2020	6,800	3.43	14 January 2027	0.61
Policy bank bonds 2019	6,710	3.42	02 July 2024	0.61
Policy bank bonds 2019	6,527	3.30	01 February 2024	0.59
Policy bank bonds 2018	6,500	4.15	26 October 2025	0.59

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 RMB2,655 million, down 5.82% from the end of last year. Specifically, the investment balance in joint ventures stood at RMB2,319 million, down 7.72% 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.

(Expressed in millions of RMB unless otherwise stated)

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.

Item	End of the reporting period			End of last year		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	3,889,642	12,374	9,973	4,099,578	17,147	15,789
Exchange rate derivatives	1,882,807	21,145	23,554	1,578,860	13,844	12,669
Precious metal and other derivatives	332,377	9,310	3,999	209,031	2,782	1,070
Total		42,829	37,526		33,773	29,528
Derivatives designated as hedging instruments:						
Fair value hedges						
- Interest rate swap contracts	12,048	545	100	9,251	42	126
- Currency swap contracts	–	–	–	361	–	8
Cash flow hedges						
- Interest rate swap contracts	627	34	–	1,649	17	–
- Currency swap contracts	20,788	134	148	3,554	5	25
Total		713	248		64	159

3.5.1.5 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 the reporting period, the book value of goodwill at the Group stood at RMB6,981 million.

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(Expressed in millions of RMB unless otherwise stated)

3.5.2 Analysis of liabilities

As at the end of the reporting period, the total liabilities of the Group reached RMB7,997,876 million, representing an increase of RMB539,337 million or 7.23%, as compared with the end of the previous year.

	End of the reporting period		End of last year	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total deposits	4,826,478	60.35	4,403,056	59.03
Interest payable on deposits	67,334	0.84	60,552	0.81
Due to and placements from banks and other financial institutions	1,376,968	17.22	1,280,994	17.17
Debt securities issued	1,330,304	16.63	1,317,121	17.66
Due to central bank	165,133	2.06	236,317	3.17
Held-for-trading financial liabilities	94,781	1.19	31,280	0.42
Derivative financial liabilities	37,526	0.47	29,528	0.40
Others	99,352	1.24	99,691	1.34
Total liabilities	7,997,876	100.00	7,458,539	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 RMB4,826,478 million, representing an increase of RMB423,422 million or 9.62%, as compared with the end of the previous year.

	End of the reporting period		End of last year	
Item	Balance	Percentage (%)	Balance	Percentage (%)
Current deposits	2,070,163	42.89	2,085,721	47.37
Incl.: Corporate deposits	1,656,442	34.32	1,745,409	39.64
Retail deposits	413,721	8.57	340,312	7.73
Time deposits	2,753,419	57.05	2,314,632	52.56
Incl.: Corporate deposits	1,836,412	38.05	1,631,948	37.06
Retail deposits	917,007	19.00	682,684	15.50
Other deposits	2,896	0.06	2,703	0.07
Total	4,826,478	100.00	4,403,056	100.00

(Expressed in millions of RMB unless otherwise stated)

3.5.3 Analysis of changes in shareholders' equity

As at the end of the reporting period, shareholders' equity of the Group was RMB706,775 million, up 4.21% from the end of last year. The equity attributable to the parent company's shareholders recorded RMB697,872 million, an increase of 4.16% over the end of last year; and the retained earnings totaled RMB203,220 million, up 5.24% over the end of last year, which was mainly credited to the net profit increase and profit distribution during the reporting period.

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	81,762	159,292	90,993	2,821	193,096	670,007
Increase	–	–	–	15,093	8,522	45	51,171	74,831
Decrease	–	–	–	–	–	5,919	41,047	46,966
Closing balance	29,352	112,691	81,762	174,385	99,515	−3,053	203,220	697,872

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	81,762	–
Other comprehensive income	−3,053	2,821	−208.22
Surplus reserve	174,385	159,292	9.48
General risk reserve	99,515	90,993	9.37
Retained earnings	203,220	193,096	5.24
Total equity attributable to the parent company's shareholders	697,872	670,007	4.16
Minority shareholders' equity	8,903	8,211	8.43
Total equity	706,775	678,218	4.21

Management Discussion and Analysis

(Expressed in millions of RMB unless otherwise stated)

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

Item	End of the reporting period	End of last year	Change (%)	Main reason for the change
Placements with banks and other financial institutions	168,169	125,836	33.64	The placements with domestic banks increased
Financial assets purchased under resale agreements	111,411	117	95,123.08	Bonds purchased under resale agreements increased
Held-for-trading financial assets	708,984	526,034	34.78	Trust and asset management plans increased
Other creditor's rights investments	641,918	479,619	33.84	Government bonds increased
Other assets	64,814	98,494	-34.19	Funds pending liquidation decreased
Due to central bank	165,133	236,317	-30.12	Due to central bank repaid
Borrowings from banks and other financial institutions	256,462	182,697	40.38	Placements from domestic banks increased
Held-for-trading financial liabilities	94,781	31,280	203.01	Financial liabilities related to precious metals increased
Financial assets sold under repurchase agreements	350,168	174,219	100.99	Bonds and bills sold under repurchase agreements increased
Other comprehensive income	-3,053	2,821	-208.22	The valuation of other creditor's rights investments changed

Item	The current reporting period	Same period of last year	Change (%)	Main reason for the change
Profit or loss on changes in fair value	-3,854	4,504	-185.57	The fair value of held-for-trading financial instruments changed
Exchange profit or loss	6,692	813	723.12	Exchange rate fluctuated and exchange gains increased
Profit or loss on asset disposal	84	26	223.08	Profit or loss on disposal of fixed assets increased
Impairment losses on other assets	47	13	261.54	Impairment losses on repossessed assets increased
Other comprehensive income after tax, net	-5,869	-1,153	N/A	The valuation of other creditor's rights investments changed
Net cash flows generated from/ used in operating activities	365,099	-257,192	N/A	Net cash inflows from customer deposits and duo to banks and other financial institutions as well as repurchase business funds increased
Net cash flows used in/ generated from investing activities	-170,324	42,740	-498.51	Cash paid for investments increased
Net cash flows used in/ generated from financing activities	-46,702	114,865	-140.66	Cash received from bonds and NCDs issued decreased

3.7 Analysis of Loan Quality

3.7.1 Five-tier classification of credit assets

During the reporting period, the Group's asset quality remained stable and showed an upward trend. As at the end of the reporting period, the Group's NPL balance and ratio both decreased compared with the end of the previous year. Specifically, the balance of NPLs was RMB74,619 million, a decrease of RMB2,210 million over the end of last year; and the NPL ratio stood at 1.52%, down 0.09 percentage point over the end of last year. The outstanding special-mention loans totaled RMB107,440 billion, an increase of RMB3,745 billion compared with the prior year-end, accounting for 2.19% of total loans, up by 0.02 percentage point from the prior year-end.

(Expressed in millions of RMB unless otherwise stated)

Five-tier risk classification	At the end of 2022		At the end of 2021		Increase/decrease over the same period of the previous year (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Pass	4,718,603	96.29	4,605,516	96.22	2.46
Special mention	107,440	2.19	103,695	2.17	3.61
Substandard	34,688	0.71	35,937	0.75	-3.48
Doubtful	25,813	0.52	23,222	0.49	11.16
Loss	14,118	0.29	17,670	0.37	-20.10
Total	4,900,662	100.00	4,786,040	100.00	2.39
Total NPLs	74,619	1.52	76,829	1.61	-2.88

Category	End of the reporting period	Percentage (%)	Increase/decrease over the same period of the previous year (%)
Restructured loans	1,253	0.03	-66.89
Overdue loans	107,907	2.20	8.47

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 53.01%, an increase of 2.70 percentage points from the end of the previous year; the proportion of retail loans was 38.62%, a decrease of 0.88 percentage point as compared with the end of the previous year; and the proportion of discounted bills was 8.37%, a decrease of 1.82 percentage points as compared with the end of the previous year.

Product type	End of the reporting period			End of last year		
	Loan balance	NPLs	NPL ratio (%)	Loan balance	NPLs	NPL ratio (%)
Corporate loans	2,598,058	49,746	1.91	2,407,728	52,139	2.17
General corporate loans	2,392,505	49,746	2.08	2,261,151	51,954	2.30
Trade finance	205,553	–	0.00	146,577	185	0.13
Discounted bills	410,204	449	0.11	487,692	490	0.10
Retail loans	1,892,400	24,424	1.29	1,890,620	24,200	1.28
Personal housing loans	872,127	4,566	0.52	905,974	3,668	0.40
Personal business loans	445,633	6,726	1.51	392,104	5,081	1.30
Credit card and overdraft	433,693	7,888	1.82	416,142	8,246	1.98
Others	140,947	5,244	3.72	176,400	7,205	4.08
Total	4,900,662	74,619	1.52	4,786,040	76,829	1.61

Management Discussion and Analysis

(Expressed in millions of RMB unless otherwise stated)

3.7.3 Loan structure and loan quality by industries

	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	2,598,058	53.02	1.91	2,407,728	50.31	2.17
Manufacturing	472,245	9.64	1.72	433,936	9.07	2.92
Lease and commerce services	469,945	9.59	1.26	421,641	8.81	0.61
Real estate	322,036	6.57	3.06	331,015	6.92	2.75
Transportation, warehouse and postal services	190,118	3.88	1.84	185,778	3.88	0.74
Water, environment and public utilities management	191,308	3.90	0.52	180,796	3.78	0.58
Wholesale and retail	159,972	3.26	3.93	177,773	3.71	4.29
Construction	157,220	3.21	2.62	165,645	3.46	1.49
Production and supply of electricity, heating, gas and water	161,222	3.29	0.92	146,184	3.05	1.05
Financial services	235,797	4.81	1.54	108,267	2.26	2.41
Mining	70,194	1.43	1.19	78,343	1.64	5.53
Information transmission, software and IT services	66,636	1.36	2.63	63,203	1.32	2.08
Scientific research and technology services	31,425	0.64	1.31	37,850	0.79	5.41
Culture, sports and entertainment	19,094	0.39	1.06	17,770	0.37	1.35
Agriculture, forestry, farming and fishery	14,202	0.29	8.23	17,243	0.36	12.10
Healthcare and social welfare	12,665	0.26	4.22	15,819	0.33	0.18
Education	14,937	0.30	3.86	14,668	0.31	4.08
Others	9,042	0.20	4.28	11,797	0.25	3.72
Discounted bills	410,204	8.37	0.11	487,692	10.19	0.10
Retail loans	1,892,400	38.61	1.29	1,890,620	39.50	1.28
Total	4,900,662	100.00	1.52	4,786,040	100.00	1.61

(Expressed in millions of RMB unless otherwise stated)

3.7.4 Loan structure by geography

Region	End of the reporting period		End of last year	
	Book balance	Percentage in total loans (%)	Book balance	Percentage in total loans (%)
Head Office	574,147	11.72	569,655	11.90
Yangtze River Delta Region	1,557,005	31.77	1,485,126	31.03
Pearl River Delta and West Side of Taiwan Strait	618,785	12.63	576,228	12.04
Bohai Rim	639,591	13.05	618,390	12.92
Central China	527,138	10.76	559,792	11.70
Western China	592,234	12.08	596,172	12.46
North-eastern China	196,820	4.02	202,429	4.23
Overseas institutions and subsidiaries	194,942	3.97	178,248	3.72
Total	4,900,662	100.00	4,786,040	100.00

3.7.5 Loan structure by collateral types

Item	End of the reporting period		End of last year	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Unsecured loans	2,057,153	41.98	2,012,057	42.04
Guaranteed loans	941,698	19.21	779,176	16.28
Loans secured by mortgages	1,661,258	33.90	1,740,296	36.36
Pledged loans	240,553	4.91	254,511	5.32
Total	4,900,662	100.00	4,786,040	100.00

3.7.6 Loan migration

Item (%)	2022		2021		2020	
	Year-end	Average	Year-end	Average	Year-end	Average
Pass loan migration rate	2.41	2.27	2.12	2.51	2.90	2.98
Special-mention loan migration rate	33.74	37.84	41.95	34.18	26.40	33.40
Substandard loan migration rate	73.87	75.88	77.89	56.60	35.32	43.36
Doubtful loan migration rate	39.88	40.95	42.03	26.36	10.70	24.82

Management Discussion and Analysis

(Expressed in millions of RMB unless otherwise stated)

3.7.7 Loans of top ten customers

Customer name	31 December 2022	Percentage (%)
Customer A	20,142	0.41
Customer B	16,614	0.34
Customer C	11,384	0.23
Customer D	8,557	0.18
Customer E	8,531	0.17
Customer F	7,814	0.16
Customer G	7,531	0.15
Customer H	7,287	0.15
Customer I	6,783	0.14
Customer J	6,583	0.13
Total	101,226	2.06

3.7.8 Management of LGFV loans

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

First, the Bank stepped up efforts to forestall and defuse the risks arising from hidden debts of local governments. It worked to provide categorized guidance on and dispose of existing businesses properly, supported the extension, renewal and restructuring of the maturing hidden debts according to pertinent regulatory policies, and prevented the risk arising from the broken capital chains of hidden debts in stock. Moves were taken to standardize debt dissolution operations and strictly prevent false debt dissolution. The Bank exercised a rigid control over onboarding new financing customers, engaged in prudent and compliant operation, carried out strict due diligence, and eliminated any form of new hidden debts of local governments.

Second, local government-related financing businesses were conducted according to the applicable provisions. Pursuant to the central government's package of policies for stabilizing economic growth, the Bank, on the premise of adding no new hidden debts of local government, provided financial services for major infrastructure projects in the field of public services to promote the overall economic upturn following the principles of risk control and commercial sustainability. It took the initiative to transform its business modes, regulated the operation of PPP financing projects and market-based public welfare programs, and prioritized supporting projects that could be compatible with the development stage of local economies, have been scientifically planned and demonstrated, and remain highly market-oriented and financially sustainable. The Bank worked to meet reasonable funding needs of financing platforms and support the necessary follow-up financing for projects in progress as per the market-oriented principle. Meanwhile, it underwrote and invested in local government bonds by following the return-risk balance principle in a targeted way.

Third, the routine control mechanism was improved. The Bank strengthened the management of existing businesses, tightened the control of key aspects such as capital, payment and post-lending, and made good liquidity arrangements before maturity. Monitoring and screening measures were adopted in a concrete and meticulous way to intensify the analysis and assessment of hidden debt risks. Contingency plans were drafted to deal with such risks properly. With these steps, the Bank could identify, detect, issue warnings against, and mitigate risks and hazards as early as possible.

Fourth, the Bank stringently 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

As 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 RMB74,619 million, a decrease of RMB2,210 million over the end of last year; and the NPL ratio was 1.52%, down 0.09 percentage point over the end of last year. The Bank adopted the following measures:

First, it continuously improved the quality and efficiency of financial services provided in support of the real economy, increased credit supply in key industries, key regions, distinctive industries, green economy, high-quality manufacturing sectors and other fields, and helped stabilize the macroeconomic growth. By supplying new credit in a quality way, the Bank made steady headway in optimizing the structure of customers and industries.

Second, it stepped up efforts to reduce and dispose of NPLs. An array of measures were adopted in strict accordance with regulatory requirements, which included strengthening cash recovery, continuously optimizing the management of NPA transfer, successfully piloting the massive transfer of personal NPLs, and carrying out debt-to-equity swaps as a response to the related national policy. With these measures, the Bank introduced more diverse disposal channels with greater efforts, intensified recovery and resolution efforts in key business areas and for major projects, and generated a disposal synergy between/among business segments. As a result, remarkable results were achieved in NPL disposal and cash recovery.

Third, it optimized management to lay a more solid foundation, while advancing innovation and transformation. Following the policy guidance, the Bank 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, it continued optimizing the intelligent asset preservation system and worked harder to develop digitalized instruments. Focusing on personnel training and team building, the Bank kept disposing of risks and NPAs in a more professional way.

Fourth, it took a firm grip on new NPLs by adopting the following measures: a. establishing and improving a long-term mechanism to prevent and resolve material risks; b. increasing the monitoring of risks in key areas and major groups, proactively carrying out special verification and inspection activities, and detecting early signs of risk in a timely manner; c. strengthening the management of new overdue loans and arrears and establishing a mechanism to oversee customers with new overdue loans and arrears in large amounts; and d. strengthening penetrating management, through which the Head Office and branches could work together to promptly formulate plans for mitigating the risks identified and regularly track the progress of risk resolution, making every effort to stop the deterioration of NPLs.

Fifth, it optimized the retail risk forewarning and monitoring system from multiple dimensions. a. The monitoring rules in daily risk reports for joint loans were improved to realize the static risk monitoring from the product side to the branch side in such aspects as asset quality. b. A new NPL prediction mechanism was initially developed to regularly conduct dynamic monitoring of new NPLs in retail business as a whole. c. The potential risk identification strategy was institutionalized, thus forming a preliminary monitoring mechanism for potential retail risks.

3.7.10 Credit extension to 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 regulatory 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.

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(Expressed in millions of RMB unless otherwise stated)

3.7.11 Provision and write-off of loan impairment

The Group	The reporting period	Same period of last year
Opening balance	110,606	119,867
Provision in the year	65,143	64,542
Write-off and disposal in the year	-65,152	-81,102
Recovery of loans and advances written off in previous years	8,625	8,149
Other changes	-548	-850
Closing balance	118,674	110,606

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.

(Expressed in millions of RMB unless otherwise stated)

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

Item	End of the reporting period		End of last year	
	The Group	The Bank	The Group	The Bank
Total capital	865,671	838,728	833,078	808,839
Incl.: Core tier-one capital	590,209	569,055	563,849	544,779
Additional tier-one capital	110,503	109,910	110,443	109,910
Tier-two capital	164,959	159,763	158,786	154,150
Capital deduction items	21,910	45,132	15,363	33,326
Incl.: Core tier-one capital deduction items	21,910	45,132	15,363	33,326
Additional tier-one capital deduction items	–	–	–	–
Tier-two capital deduction items	–	–	–	–
Net capital	843,761	793,596	817,715	775,513
Minimum capital requirement (%)	8.00	8.00	8.00	8.00
Requirement for capital reserve and counter-cyclical capital (%)	2.50	2.50	2.50	2.50
Additional capital requirement	–	–	–	–
Risk-weighted assets	6,182,036	5,963,199	5,835,947	5,651,204
Incl.: Credit risk-weighted assets	5,772,353	5,581,774	5,432,532	5,274,414
Market risk-weighted assets	48,595	42,154	42,114	35,695
Operational risk-weighted assets	361,088	339,271	361,301	341,095
Core tier-one capital adequacy ratio (%)	9.19	8.79	9.40	9.05
Tier-one capital adequacy ratio (%)	10.98	10.63	11.29	11.00
Capital adequacy ratio (%)	13.65	13.31	14.01	13.72

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) 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). The Bank made its way to the second group of domestic systematically important banks for two years in a row. It should meet 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.

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(Expressed in millions of RMB unless otherwise stated)

3.8.2 Leverage ratio

The leverage ratio indicators of the Bank 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 6.47%, down 0.29 percentage point over the end of last year; and that of the Group was 6.80%, down 0.24 percentage point over the end of last year. 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).

Item	End of the reporting period		End of last year	
	The Group	The Bank	The Group	The Bank
Net tier-one capital	678,802	633,833	658,929	621,363
Balance of on-and-off-balance sheet assets after adjustment	9,988,010	9,803,647	9,364,190	9,192,490
Leverage ratio (%)	6.80	6.47	7.04	6.76

Note: 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). The Bank made its way to the second group of domestic systematically important banks for two consecutive years. It should meet 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

The Group	End of the reporting period
Quality current assets	922,969
Net cash outflow	617,953
Liquidity coverage ratio (%)	149.36

3.8.4 Net stable funding ratio

The Group	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Net stable funding ratio (%)	104.06	101.42	103.29	102.94
Stable funds available	4,737,359	4,516,766	4,512,000	4,530,696
Stable funds needed	4,552,530	4,453,546	4,368,443	4,401,237

(Expressed in millions of RMB unless otherwise stated)

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

Item (%)		Regulatory standard	Actual value		
			31 December 2022	31 December 2021	31 December 2020
CAR		≥ 10.5	13.31	13.72	14.35
Tier-one CAR		≥ 8.5	10.63	11.00	11.21
Core tier-one CAR		≥ 7.5	8.79	9.05	9.14
Asset liquidity ratio	RMB	≥ 25	50.67	49.94	46.00
	RMB and foreign currency	≥ 25	50.85	49.45	45.95
Proportion of loans to the single biggest customer to net capital		≤ 10	2.54	1.69	1.31
Proportion of loans to the top ten customers to net capital		≤ 50	12.76	11.47	8.49
Allowance to NPLs		≥ 130	155.28	140.66	150.74
Allowance to total loans ratio		≥ 1.8	2.33	2.23	2.59

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 management, 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 managed corporate customers as a digital ecology, made vigorous financial innovation, and saw its key business indicators stabilizing and picking up. During the reporting period, its corporate banking business segment reaped a net income of RMB61,843 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 2,136,300, an increase of 239,100 over the end of last year.

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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 credit supply to industries with heavy pollution, high energy consumption and overcapacity. As at the end of the reporting period, total corporate deposits posted RMB3,483,160 million, representing an increase of RMB115,427 million or 3.43% over the end of the previous year; and corporate loans (excluding discounted bills) totaled RMB2,504,033 million, representing an increase of RMB182,267 million or 7.85% from the end of last year.

Investment banking

During the reporting period, the Bank underwrote 1,477 bonds worth RMB598 billion as a lead underwriter, of which debt financing instruments amounted to RMB423.5 billion. The asset-backed notes (ABN) underwritten by the Bank totaled RMB35,986 million. The M&A finance business continued to develop rapidly with a balance of domestic and overseas M&A financing standing at RMB173,782 million and the new M&A loans amounting to RMB69,045 million.

Transaction banking

During the reporting period, the Bank's active payment and settlement customers exceeded 400,000, and the volume of cross-border RMB collection and payment business went beyond RMB990 billion. The combined balance of corporate wealth products was RMB132.4 billion, including the combined balance of third-party products sold by proxy worth RMB7 billion, an increase of RMB2.8 billion or 68% from the beginning of the year.

International business vehicles

During 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, all the international business vehicles had total assets of RMB355,217 million and generated a cumulative operating income of RMB4,905 million during the reporting period.

Strategic customer management

During the reporting period, the Bank created a "one solution for one customer" management pattern and formed a differentiated management 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 RMB867.7 billion; and the outstanding corporate loans denominated in RMB and foreign currencies (including commercial papers) were RMB630.8 billion. The outstanding corporate deposits from strategic customers of branches denominated in RMB amounted to RMB522.2 billion; and the outstanding corporate loans of these customers denominated in RMB stood at RMB595.8 billion.

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. 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 the reporting period, the Bank's balance of inclusive loans under the standard of "two increases" stood at RMB376.6 billion and the number of micro and small enterprises receiving such loans hit 293,500. The NPL ratio and interest rate in the year were both in line with the regulatory requirements for "two controls".

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 micro and small enterprises overall through a series of measures, including continuing subsidies and fee reductions, optimizing special assessments for inclusive finance, introducing a non-performing tolerance mechanism for inclusive loans to micro and small enterprises, implementing liability exemption on the premise of diligent duty performance effectively, and encouraging the supply of inclusive loans. The Bank continued to promote the digital operation mode of inclusive finance, upheld the business strategies of "bulk customer acquisition, standardized operation, digital support and intelligent risk control", and upgraded the "SPD e-Finance 2.0" inclusive customer service system and the intelligent risk control system for small enterprises. Remarkable results were achieved in the application of relevant innovations.

3.9.2.2 Retail banking

During the reporting period, the Bank made retail banking business one of its priorities, continuously improved its product, service and risk prevention systems, built an extensive cooperation ecosystem, and promoted wealth management, credit cards, retail credit, private banking and other business forms toward fast development. In the meantime, it empowered retail customer management with cutting-edge technologies, transformed retail banking business with digital means, created comprehensive services and ultimate experience, and made teams more professional, products more innovative, and risk control more compliant to meet diversified customer needs. As at the end of the reporting period, the retail deposit balance crossed the RMB1.3 trillion mark and the retail loan balance stood at RMB1,877,119 million. The Bank produced a net operating income of RMB66.73 billion in retail banking business during the reporting period.

Personal customers and deposits

During the reporting period, the Bank improved the layered management system for retail customers, created a closed loop of digital management, built a platform operation ecosystem online, and improved the intelligent service capability of outlets offline, in a bid to optimize customer service experience and create greater value for customers. Meanwhile, it deepened the management of payroll, wealth management, payment and settlement and other customer groups, took in more settlement deposits, and consolidated the advantages in deposit costs, to promote the balanced and sustainable growth of deposits. As at the end of the reporting period, there were 143 million personal customers (including credit card holders) across the Bank; the assets of retail customers under management kept growing steadily to a balance (including market value) of RMB3.95 trillion; the balance of personal deposits totaled RMB1,309,156 million, up RMB306,994 million or 30.63% over the beginning of the year.

Wealth management business

During the reporting period, pursuing a customer and value-oriented approach, the wealth management business created open product shelves, the fund business line forged a featured brand by extending multi-pronged presence, and the insurance business line deepened cooperation with industry leaders to sharpen its competitive edge. Proceeding from asset allocation, the Bank promoted the refined management of wealth management business, built a professional team, and forged core competitiveness in wealth management. While accelerating the process of retail digitalization 3.0, it promoted the deep integration of technology and business to improve the quality of wealth management services. The Mobile Banking app launched the brand new 11.8 version, the Fortune column worked with partners to build an ecosystem of integrated financial services, and the digital and remote asset management modules used both AI and humans for customer service to create a closed-loop mode of online and offline marketing. As at the end of the reporting period, the balance of AUM from personal customers (including market value) reached RMB3.95 trillion, and the wealth management income totaled RMB5.05 billion during the reporting period.

Private banking

During the reporting period, the private banking business tapped deep into customer management, exploited the advantages of "one bank" operation, and got more out of corporate-personal business cooperation and group-wide collaboration. It established a mart of privately offered products to enrich the open-ended products available on the shelf of private banking. It also improved the quality of private banking services in all aspects, optimized the digital and intelligent development of private banking, and increased the comprehensive contribution of private banking customers at a faster pace. As at the end of the reporting period, the Bank had over 28,000 private banking customers (monthly average daily financial assets of RMB8 million or above) and managed their financial assets worth over RMB530 billion.

Retail credit business

During the reporting period, the Bank focused on serving people's livelihood improvement and supporting the real economy. It allocated more resources to key areas and weak links important to economic and social development such as consumer finance, micro and small finance, green finance and auto finance to further enhance people's well-being. As at the end of the reporting period, the balance of retail loans (excluding credit cards) was RMB1,443,426 million, of which the balance of housing loans was RMB865,791 million. The Bank helped to enhance the quality and quantity of household consumption. Focusing on six major consumption scenarios, that is, smartphones, old-age pension, education, automobile, tourism and home furnishings, it rolled out a string of innovative products such as "Mega Small Loan" and auto finance, to incorporate financial credit services into daily consumption scenarios. Keenly aware of what customers would need, the Bank optimized policy measures, innovatively used digital means, and leveraged the driving role of data drive to do better in supporting and serving micro and small enterprises with financial strength.

Credit card

During the reporting period, the Bank centered on the main tasks of "putting compliance first, pursuing a risk-based approach, engaging in intensive operation, and seeking steady development" to promote consumer services in a featured non-banking ecosystem and introduce a set of special marketing activities in the Yangtze River Delta. Relying on the "66"-themed activities, it helped boost consumer confidence in the region, advocated the concept of green travel, continued to promote the "Good Morning SPD" brand, made refined planning for mobile travel scenarios, and continued to deepen customer management with digital means. The "Joyful SPD Credit Card" app unveiled six innovative initiatives, that is, personalizing the way of service presentation, constructing diverse consumption scenarios, meeting the needs of special customer groups, strengthening connections with customers, and creating new scenarios for voice services, to effectively meet the financial needs of customers through digital means. The app registered 21.54 million MAUs.

The Bank developed credit card business through multiple channels. As at the end of the reporting period, the Bank had 51,331,600 credit cards in circulation, up 5.98% year on year; the balance of credit card loans amounted to RMB433,693 million, up 4.22% year on year; the "Joyful SPD Credit Card" app had 25.08 million MAUs, up 24.16% year on year. During the reporting period, the Bank's credit card transactions amounted to RMB2,417,472 million, a year-on-year increase of 9.11%; and the business generated a total income of RMB43,733 million, a year-on-year rise of 14.85%.

Debit card and payment settlement

During the reporting period, the Bank worked with 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. It joined hands with China UnionPay to launch ahead of any other banks in China two apps (SPD Bank and Joyful SPD Credit Card) based on the Cloud QuickPass online payment platform, providing users with high-quality payment experience. As at the end of the reporting period, 97,063,200 cards were issued in total. The acquiring business served the real economy on the premise of operational compliance and risk control; the retail banking fulfilled social responsibility by reducing fees and boosting consumption; and the corporate banking promoted the development of payment innovation business, enhanced the acquiring business capacity, and better served the operation of the real economy. In the development of digital platforms, the Bank continued to optimize the unified acquiring platform and build a middle and back-office management platform to further improve merchant management capabilities. With respect to of e-CNY business, the interim management measures for internal business was formulated to carry out e-CNY business in all pilot areas delineated by the PBC.

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 RMB2.5 trillion. During the reporting period, the financial market business recorded a net operating income of RMB36.6 billion.

Financial institution business

During the reporting period, the Bank, centering on customers, continued to increase the products for financial institution customers and optimize the industry distribution of customers by refining the industry-specific business strategies. As at the end of the reporting period, the Bank entered partnerships with over 3,100 corporate financial institutions, attaining an industry coverage of 64%; the online interbank platform served over 2,600 customers, with functions, products, and service capabilities continuously diversified to further raise online service standards; and the "Bund 12 Interbank Cooperation Salon" was continuously promoted. The Bank promoted cooperation in various innovative businesses with financial peers, factor markets and other institutions around hot topics such as financial product innovation, support for enterprises in their resumption of work and production, and pilot run of personal old-age pension, in an effort to further enhance the influence of its interbank cooperation brand.

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 relied on the transformation and upgrading drive to make the "SPDB Risk Hedging" brand strong, released the Blue Book on Market Outlook of SPDB Risk Hedging in 2022, 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, maintained a leading position in transactions on exchange across the market, and improved its overall influence in the market continuously.

Asset management

During the reporting period, SPDB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was officially inaugurated, which represented an important step for the Bank to fully implement the new regulations for asset management and accelerate the high-quality transformation and development of its wealth management business. After its opening for business, SPDB Wealth Management got various aspects of work done in an orderly manner. On the product side, it accelerated innovation, safeguarded supply, and continued to enrich product types, by launching a number of net-worth products that were well received in the market. On the asset side, it increased support for the real economy, kept increasing the proportion of investments in standardized assets, and stabilized the performance of net-worth products through various measures. With these efforts, the subsidiary strove to generate sound investment returns for investors. As at the end of the reporting period, wealth management products of SPDB Wealth Management totaled RMB839,303 million.

Asset custody

During the reporting period, the Bank focused on key custody business in valuation category, accelerated the restructuring pace, prioritized digital operation and multi-dimensional empowerment, and promoted the high-quality and sustainable development of custody business steadily. As at the end of the reporting period, the asset custody business had a scale of RMB15.18 trillion. During the reporting period, the business generated a total of RMB2,735 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 77 traditional sub-branches and five community banks, and canceled or merged four traditional sub-branches and 28 community banks. As at the end

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of the reporting period, it had established 42 tier-one branches and 1,734 banking outlets in 31 provinces, autonomous regions and municipalities directly under the central government, Hong Kong SAR, Singapore and London. Details are set out in the table below:

Region	Institution name	Address	Number of employees (Person)	Total assets	Number of organs under its jurisdiction
Head Office	Head Office	No. 12 Zhongshan Dongyi Road, Shanghai	8,979	4,276,517	1,733
	Credit Card Center	SPD Bank Building, No. 588 Pudong South Road, Pudong New Area, Shanghai	11,975	424,419	–
	Sub-total		20,954	4,700,936	1,733
Yangtze River Delta Region	Shanghai Branch	No. 588 Pudong South Road, Pudong New Area, Shanghai	4,455	1,353,765	183
	Hangzhou Branch	No. 129 Yan'an Road, Hangzhou	2,656	338,073	98
	Ningbo Branch	No. 21 Jiangxia Street, Ningbo	1,258	142,540	42
	Nanjing Branch	No. 303 Zhongshan East Road, Xuanwu District, Nanjing	2,913	318,310	111
	Suzhou Branch	No. 718 Zhongyuan Road, Industrial Park, Suzhou	967	125,849	32
	Hefei Branch	No. 2608 Hangzhou Road, Binhu New Area, Hefei	1,185	106,403	44
	Shanghai Free Trade Zone Branch	Floor 22, SPD Bank Building, No. 588 Pudong South Road, Pudong New Area, Shanghai	32	69,305	–
	Sub-total		13,466	2,454,245	510
Pearl River Delta and West Side of Taiwan Strait	Guangzhou Branch	No. 12 Zhujiang West Road, Tianhe District, Guangzhou	2,390	257,304	90
	Shenzhen Branch	No. 88 Pucheng Road, Tianxin Community, Sungang Sub-district, Luohu District, Shenzhen	1,935	414,454	60
	Fuzhou Branch	Room 16-24 (commercial) 1/F, Room 01-02 (commercial) 4/F, Room 01 (commercial & office) 5-7/F, Room 01 (commercial & office) 18-21/F, 1# Building, Fumin Times Square, No.66 Aofeng Road, Aofeng Sub-district, Taijiang District, Fuzhou	737	59,479	55
	Xiamen Branch	No. 666-1 Xiahe Road, Xiamen	280	22,763	16
	Sub-total		5,342	754,000	221
Bohai Rim	Beijing Branch	No. 18 Taipingqiao Avenue, Xicheng District, Beijing	2,077	523,575	90
	Tianjin Branch	Block D, No. 9+ Binshui Avenue, Hexi District, Tianjin	1,247	185,460	38
	Ji'nan Branch	No. 139 Heihuquan West Road, Ji'nan	1,247	84,024	63
	Qingdao Branch	No. 188 Haier Road, Laoshan District, Qingdao	941	103,478	34
	Shijiazhuang Branch	101 Fangbei Shopping Mall, No. 133 Yuhua East Road, Chang'an District, Shijiazhuang	777	61,486	32
	Hebei Xiongan Branch	Northwest corner of the intersection of Baiyangdian Street and Rongmei Road, Rongcheng County, Baoding City	23	922	–
	Sub-total		6,312	958,945	257

(Expressed in millions of RMB unless otherwise stated)

Region	Institution name	Address	Number of employees (Person)	Total assets	Number of organs under its jurisdiction
Central China	Zhengzhou Branch	No. 299 Jinshui Road, Zhengzhou	1,893	241,859	95
	Wuhan Branch	No. 218 Xinhua Road, Jianghan District, Wuhan	1,077	79,017	53
	Taiyuan Branch	No. 5 Qingnian Road, Taiyuan	942	101,823	53
	Changsha Branch	No. 102 Chazishan East Road, Binjiang New Town, Changsha	962	79,759	51
	Nanchang Branch	No. 1402 Hongguzhong Avenue, Nanchang	704	61,801	36
	Haikou Branch	No. 26 Yusha Road, Haikou	191	12,644	6
	Sub-total		5,769	576,903	294
Western China	Chongqing Branch	No. 78 Star Avenue, High-tech Park, Northern New District, Chongqing	788	105,817	28
	Kunming Branch	No. 156 Dongfeng West Road, Kunming	706	53,925	36
	Chengdu Branch	No. 22 East II Section, 2nd Ring Road, Chenghua District, Chengdu	828	75,822	22
	Xi'an Branch	No. 6 Jinye Road, High-tech Zone, Xi'an	1,219	146,588	60
	Nanning Branch	No. 22 Jinpu Road, Nanning	633	72,235	24
	Urumqi Branch	No. 379 Xinhua South Road, Urumqi	461	34,194	20
	Hohhot Branch	Block B Dongfang Junzuo, No. 18 Chilechuan Street, Saihan District, Hohhot	538	43,622	25
	Lanzhou Branch	No. 101 Guangchang South Road, Lanzhou	478	26,209	28
	Guiyang Branch	East Tower 4, Eastern Zone, Financial Business District, Part B of Zhongtian Exhibition Town, Guanshanhu District, Guiyang	363	38,449	18
	Xining Branch	Yanan Building, 1-7 No. 1 Weibo Lane, Chengxi District, Xining	207	8,494	7
	Yinchuan Branch	No. 51 Xinhua East Street, Xingqing District, Yinchuan	182	10,366	5
	Lhasa Branch	No. 1 Commerce Building, No. 48 Beijingzhong Road, Chengguan District, Lhasa	117	6,060	1
	Sub-total		6,520	621,781	274
North-eastern China	Dalian Branch	No. 45 Huizhan Road, Shahekou District, Dalian	908	113,229	55
	Shenyang Branch	No. 326 Fengtian Street, Shenhe District, Shenyang	707	50,281	28
	Harbin Branch	No. 226 Hongqi Street, Nangang District, Harbin	687	65,339	32
	Changchun Branch	No. 3518 Renmin Street, Changchun	493	37,569	20
	Sub-total		2,795	266,418	135
Overseas	Hong Kong Branch	Floor 30, SPD Bank Tower, No. 1 Hennessy Road, Hong Kong	284	162,758	-
	Singapore Branch	12 Marina Boulevard, #34-01, MBFC Tower 3, Singapore	100	34,476	-
	London Branch	19th floor, 1 Angel Court London, EC2R 7HJ	57	12,198	-
	Sub-total		441	209,432	-
Aggregate adjustment				-2,046,910	42
Total			61,599	8,495,750	1,733

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

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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 39,952,800 personal online banking customers, who conducted 62 million transactions in a total amount of RMB3.85 trillion in the reporting period; it had 71,252,200 personal mobile banking customers who conducted 353 million transactions in a total amount of RMB12.28 trillion in the reporting period. The number of personal customers using card-bound internet payment service reached 56,333,500, and 4.03 billion transactions in a total amount of RMB1.79 trillion were conducted during the reporting period. The Bank had 4,423 self-service cash devices in service and 2,711 self-service outlets with the e-channel trading substitution rate up to 99.4%.

Operation support

During the reporting period, the Bank followed the main line of high-quality development and attached equal importance to basic management and digitalization, thus improving management capabilities and laying a solid foundation for the implementation of various business plans. First, front-office businesses were developed with intensified efforts. Through the "Settlement Moat" project, the Bank dug deep into payment and settlement scenarios to improve customer acquisition capabilities. Meanwhile, it participated in business marketing and customer bidding, providing personalized and differentiated operational service solutions. Second, a middle-office operation platform was established in an orderly way. Through 34 projects, the Bank strengthened its marketing support, operation empowerment, risk control and comprehensive management capabilities from the operational perspective. Third, penetrating management was strengthened continuously. The Bank built systems, simplified management processes, and diversified tool types. Global views were created for various user privileges and equipment operation & maintenance requests, and multiple measures were adopted to ensure the Head Office management could penetrate every aspect of front-line operation. Fourth, an intensive sharing mode was improved. The shift from scattered operation to overall scheduling could provide powerful guarantee for business continuity in spite of emergencies. Fifth, stable internal control measures were adopted to ensure safe transformation. By embedding policies into flows and monitoring business anomalies, the Bank enhanced the internal control management of operation activities, reconstructed the internal control system, increased the application of data in various inspections, identified problems accurately, and intensified the risk forewarning mechanism, so as to maintain the bottom line for risk management.

3.9.3 Analysis of major holding and participating companies

3.9.3.1 External equity investments

	End of the reporting period	End of last year	Change	Change rate (%)
Investment balance in joint ventures	2,319	2,513	-194	-7.72
Investment balance in associates	336	306	30	9.80

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.

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3.9.3.2 Interests in unlisted financial enterprises

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	Accounting item
AXA SPDB Investment Managers Co., Ltd.	612	51.00	1,286	175	–	Long-term equity investment
SPD Silicon Valley Bank Co., Ltd.	1,000	50.00	1,033	39	–	Long-term equity investment
Shenlian International Investment Co., Ltd.	286	16.50	518	10	–	Financial investments: Other equity instrument investments
China UnionPay Co., Ltd.	104	3.07	956	72	–	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.	1,575	7.91	1,575		–	Financial investments: Other equity instrument investments
China Trust Registration Corporation Limited	100	3.33	99	-3	–	Long-term equity investment
China Trust Protection Fund Co., Ltd.	500	4.35	500	26	–	Financial investments: Held-for-trading financial assets
Shanghai Life Insurance Co., Ltd.	80	1.33	80	–	–	Financial investments: Held-for-trading financial assets
Total	6,257		8,047	319	–	

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 RMB649,155 million and the net assets amounted to RMB22,525 million. During the reporting period, Shanghai Trust achieved an operating income of consolidated statement of RMB4,982 million and a net profit of RMB1,537 million.

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(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, shipping, aerospace, advanced manufacturing, green finance 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 RMB114,363 million and the net assets amounted to RMB10,778 million. During the reporting period, SPDB Financial Leasing achieved an operating income of RMB6,674 million and a net profit of RMB1,020 million.

(3) 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. Aligning itself with world-class asset management institutions, SPDB Wealth Management aims to make professional investments and reward investors' trust with considerable returns. It strives to develop into a leading asset management institution in China, which features diversified sales channels, distinctive product R&D, integrated investment research and digitalization.

As at the end of the reporting period, wealth management products of SPDB Wealth Management totaled RMB839,303 million. During the reporting period, SPDB Wealth Management achieved an operating income of RMB2,707 million and a net profit of RMB1,860 million.

(4) SPDB International

SPDB International Holdings Limited ("SPDB International") was opened officially in Hong Kong in March 2015 as a wholly-owned subsidiary of the Bank. SPDB International has licenses of Type 1 "dealing in securities", Type 4 "advising on securities", Type 6 "advising on corporate finance", Type 9 "asset management", listing sponsorship, securities brokerage and other regulated activities from Hong Kong Securities and Futures Commission and has established a full-licensed investment banking platform. SPDB International focuses on serving customers' cross-border investment and financing demands and provides integrated and diversified financial services including listing sponsorship, M&A, bond underwriting, financial advisory, investment management, enterprise financing advisory, asset management and investment consultation services, 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 HKD18,761 million and the net assets amounted to HKD2,990 million. During the reporting period, SPDB International registered a business income of HKD-75 million and a net profit of HKD-787 million, mainly due to the tightening monetary policy of the US Federal Reserve and the significant volatility of the Hong Kong capital market.

(5) 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 RMB1.20 billion, in which the Bank holds 51% shares. With the strategic positioning as a multi-asset management expert, AXA SPDB Investment Managers makes simultaneous progress in three major business areas, that is, mutual funds, separately managed account (SMA) funds and special assets of subsidiaries, and achieves breakthroughs in market position, investment research management, customer management, product development and other aspects, in a bid to steadily expand its asset scale. Boasting a diversified business structure that covers equity, fixed income, quantitative, alternative and other asset management products, it provides one-stop quality products and services. AXA SPDB Investment Managers is committed to creating long-term sustainable value for investors and becoming an industry-leading multi-asset management expert.

As at the end of the reporting period, the AUM of AXA SPDB Investment Managers reached RMB557,346 million and the net assets amounted to RMB2,523 million. During the reporting period, AXA SPDB Investment Managers achieved an operating income of RMB1,290 million and a net profit of RMB335 million.

During the reporting period, the 39th Meeting of the Seventh Board of Directors of the Bank considered and adopted the Proposal of the Bank on the Change of Capital by an Investee Company, agreeing to change the registered capital of AXA SPDB Investment Managers from RMB1.91 billion to RMB1.20 billion, with the Bank's shareholding ratio remaining unchanged. The relevant work was completed as at the end of the reporting period.

(6) 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 RMB23,171 million and the net assets amounted to RMB2,069 million. During the reporting period, SPD Silicon Valley Bank achieved an operating income of RMB401 million and a net profit of RMB52 million.

(7) 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 micro and small 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 micro and small enterprises in the county areas, with a focus on farmer households and micro and small 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 micro and small enterprises and expanding the reach of financial services to the countryside. In 2022, 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 RMB39,447 million and the net assets of RMB5,061 million. Their deposit balance was RMB32,115 million and loan balance was RMB23,307 million. They had 1,298,400 settlement customers and 56,300 loan customers. With the agro-related loans and loans to micro and small 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 RMB849 million and a net profit of RMB155 million.

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.

Management Discussion and Analysis

(Expressed in millions of RMB unless otherwise stated)

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

	End of the reporting period	End of last year
	Amount	Amount
Original value of repossessed assets	600	750
Less: Allowance for repossessed asset impairment	156	138
Net value of repossessed assets	444	612

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.

Items in connection with the measurement of fair value	31 December 2021	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 2022
Financial assets					
1. Precious metals	13,151	-56	-	-	14,988
2. Held-for-trading financial assets	526,034	-2,618	-	-	708,984
3. Derivative financial assets	33,773	5,797	-	-	42,829
4. Loans measured at fair value through profit or loss	46,149	-103	-	-	60,223
5. Loans measured at fair value through other comprehensive income	484,192	-	359	268	468,537
6. Other creditor's rights investments	479,619	-497	-7,465	2,515	641,918
7. Other equity instrument investments	7,082	-	350	-	7,870
Total financial assets	1,590,000	2,523	-6,756	2,783	1,945,349
Financial liabilities					
1. Held-for-trading financial liabilities	31,280	2,989	-	-	94,781
2. Derivative financial liabilities	29,528	4,624	-	-	37,526
Total financial liabilities	60,808	7,613	-	-	132,307

Note: This table has no consequent articulation.

(Expressed in millions of RMB unless otherwise stated)

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

During the reporting period, the Bank innovated a system of featured products and services around customer needs, actively introduced high-quality wealth management products, and created a multi-level shelf of open-ended products, to gain a differentiated competitive edge. Meanwhile, it strengthened the building of professional teams, enhanced customer companionship and investor education, and improved comprehensive customer service capabilities. With these efforts, the Bank promoted the sustainable, steady and sound development of wealth management business.

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 69 asset securitization projects totaling RMB35,986 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 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 RMB15.18 trillion, an increase of 4.91% year on year. During the reporting period, the business generated a total of RMB2,735 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 was committed to building a platform for high net-worth customers. Leveraging the synergy of the Group, it focused on providing safe and stable trust products as the main line, dynamically selected managers, and created a "core + satellite" product system, to promote the accelerated development of private banking business.

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, worked hard to market long-term equity funds, and guided customers to pursue a long-term approach to investment during the reporting period. As for the agency insurance business, the Bank actively transformed its installment insurance business.

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

The Group	End of the reporting period	End of last year
Credit commitments	1,780,108	1,570,741
Incl.: Bank's acceptance bill	729,985	617,735
Letters of credit issued	236,245	192,522
Letters of guarantee issued	109,643	113,363
Credit card and loan commitments	704,235	647,121
Capital commitments	24,012	21,109

3.10.6 Quality of liabilities

In 2022, the Group optimized the structure of liabilities and took the initiative to lower liability costs, thus achieving 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 RMB7,997,876 million, representing an increase of RMB539,337 million or 7.23%, as compared with the end of the previous year. Deposits accounted for 60.35% of total liabilities, an increase of 1.32 percentage points, and liability sources became more stable. During the reporting period, the average cost ratio of liabilities was 2.24%, a decrease of 0.05 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 RMB379.4 trillion, up 10.0% year on year, and registered total liabilities of RMB348.0 trillion, up 10.4% year on year. China's monetary policy centered on its own needs and continued to reduce financing costs for the real economy. At the same time, it stabilized the exchange rate by such means as lowering the reserve requirement ratio for foreign exchange deposits of financial institutions and raising the macro-prudential adjustment parameters for cross-border financing of enterprises and financial institutions. Responding to major national strategies, the banking industry put serving the real economy in a prominent position, took the initiative to follow up with financing needs, innovated credit service models, increased funding support for key areas and weak links and for micro, small and medium enterprises, and provided financial services for the troubled market entities. In doing so, it channeled financial resources into the real economy. Meanwhile, the regulators also issued a number of policies in the key areas, including real estate, hidden local debts 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 2022, the Chinese banking industry operated steadily as a whole, with the asset scale expanding, the asset quality improving steadily, and the ability to compensate for risks boosted continuously. The banking industry continued to serve the real economy with quality and efficiency further assured. In 2022, there were new RMB loans of RMB21.31 trillion across the industry. The balance of medium and long-term loans going to the manufacturing sector grew by 36.7% year on year, 25.6 percentage points higher than the average growth rate of various loans. The balance of inclusive loans to micro and small enterprises rose by 23.8% year on year, and the number of micro and small enterprises granted inclusive loans surged by 26.8% year on year. As at the end of 2022, the CAR, tier-one CAR and core tier-one CAR of commercial banks (excluding branches of foreign banks) in China were 15.17%, 12.30% and 10.74%, respectively, and the balance of provisions for loan losses was RMB6.1 trillion, all of which improved somewhat. 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 2022, the Bank drafted development strategies from the height of ensuring the political, people-oriented and professional nature of financial work. With 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", it upheld the concept of long-termism and aligned itself with the world's best to strengthen the leading role of its strategic goal and overall planning. While moving faster to bolster up weak links, gain competitive edges, and lay a solid foundation, the Bank fulfilled the political, economic and social responsibilities of state-owned financial enterprises, and well balanced the relations of safety, liquidity and profitability in operations. The Bank put forward a path of development, which advocates the high-quality development as the main task, puts service as the core, adopts a market-oriented approach, and relies on customer experience and digital technology to enhance the core competitiveness, industry-wide leading edge, and global influence. While quickening up three major transformations, that is, "carbon peaking and carbon neutrality", asset-light operation and digitalization, the Bank strove 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 that boasts of operational compliance and causes no worry for regulators, and a respectable and trusted corporate citizen, to align corporate value with social value.

3.11.4 Management measures in 2023

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will implement the core instructions of the 20th CPC National Congress and the Central Economic Work Conference on all fronts, act on the decisions and plans of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government as well as regulatory requirements, uphold the new development philosophy in an integral, accurate and comprehensive manner, ensure the political and people-oriented nature of the financial work, and follow the guiding principle of making progress amid stability. Centering on the overall requirements of "sheer persistence, solid foundation, mode switch and integrated operation", it will make inroads in building a first-class joint-stock commercial bank with international competitiveness in all respects and in attaining high-quality development.

- Accelerating comprehensive customer management. Focusing on two major indicators of FPA and AUM, the Bank will improve comprehensive financial service capabilities so as to further expand the customer base. Aware of the core needs of customers from different ecospheres and industrial chains, it will strengthen the integrated operation of various products and services, improve the transaction credit system, and form a closed loop of transaction credit. With these steps, the Bank will go all out to build a customer-centered "ecosphere and chain"-based business mode.

- Raising the level of integrated operation at a faster pace. The Bank will reshape or optimize business processes in light of what customers need, continuously boosting its capabilities for process design, optimization and integration. With the goal of product servitization and service productization, it will enhance the professional planning ability that is systematic and consistent. Efforts will be made to accelerate the process of product standardization, modularization and componentization, with the focus placed on boosting the system integration capability. Meanwhile, the Bank will actively build the coordinated organizational capacity to promote integrated development across the board in a balanced and sustainable manner.

- Increasing the supply of high-quality assets. To actively support the formation of a modern industrial system in China, the Bank will intensify support for key areas and weak links in the real economy such as manufacturing, green economy, inclusive finance, rural revitalization, real estate and household consumption, while steadily optimizing the asset structure. With the "ecosphere and chain"-based business mode as the core, the Bank will tap deep into comprehensive financial service needs of various customers in the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei region and other regions as well as strategic emerging industries.

- Sparing no effort to take in more settlement deposits. Digital means will be used to empower the integration of resources available across the Group, and the systematic and ecological business mode will be created to strengthen product supply for all types of customers. By accelerating the iteration of products and services, process optimization and experience enhancement, the Bank will enhance customer and transaction stickiness, improve capital retention, and obtain stable and sustainable sources of settlement deposits.

- Making featured business brands stronger at a faster pace. The Bank will strengthen professional capacity building and continue to enhance the comprehensive contribution of such business forms as green finance, technological innovation finance, free trade finance and pan-investment banking. It will overhaul the wealth management business mode and expand the outlet capacity vigorously; innovate the exclusive business mode used to serve ultra-high net-worth customers in the long run to enhance the core competitiveness of the private banking brand; and work to see featured businesses such as SPDB Risk Hedging, custody and wealth management get stronger, grow bigger in terms of market share and contribute more revenue.

- Strictly maintaining the bottom line of risk compliance and internal control. The Bank will enhance proactive, around-the-clock risk prevention and control capabilities and put in place various kinds of precautions to lay a solid foundation for high-quality development. Intensified efforts will be made to dispose of existing risks and switch the focus from NPL disposal to asset operation. The integration of front, middle and back-office systems will be enhanced to improve the efficiency of process-based risk control and tighten comprehensive risk management. Besides, the reform of compliance systems and mechanisms will be advanced to continuously improve the audit monitoring and supervision system.

– **Continuously improving the efficiency of basic management.** The Bank will continuously improve scientific management and meticulous management, and get various aspects of basic work done properly, including asset and liability management, operation, consumer protection, cooperation with integrated law enforcement and inspection by the PBC and data governance. In the meantime, information technology will be used to better empower business development, support the planning for industrial digital finance and SaaS-based innovation, deliver a better experience for customers and employees, and enhance the efficiency of collaborative operation. Steady progress will be made toward the group-wide and international operation.

3.11.5 Possible risks confronting the Bank

Economic and financial landscape: Globally, the ever-increasing global geographical conflicts and the growing uncertainties in political, economic and financial terms slow down the recovery pace of major economies in the world. Domestically, unbalanced and inadequate economic development is still prominent, triple pressure from demand contraction, supply shocks and weakening expectations lingers, weak external demand, coupled with a slowdown of price increases, will bring China's net exports under the growing pressure, and the real estate market has not fully recovered. In this context, commercial banks continue to operate under pressure.

Supervision environment: The regulators strengthen the supervision of the flow of bank credit funds, enhance the oversight of and guidance for financial institutions in the development of inclusive finance, and increase the support for the financing needs of the real economy. At the same time, they work harder to direct funding into the green economy, while encouraging financial institutions to develop green business vigorously. This requires commercial banks to transform their development philosophy and business mode in depth, thus accelerating the high-quality development of the banking industry.

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. With new regulations on capital management coming into full effect, the transformation of wealth management business continues to go deeper, which presents both opportunities and challenges. 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 higher requirements for commercial banks in such spheres as green finance, green and low-carbon transformation and environmental and climate-related risk management.

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.

As the highest decision-making body of the Bank for comprehensive risk management, the Board of Directors takes the ultimate responsibility for the Bank's efforts in this regard. 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 of the Head Office for 2022-2024, issued the Risk Appetite Management Measures of Shanghai Pudong Development Bank, established a ladder-type indicator system for risk appetite monitoring, set up a new mechanism for risk appetite assessment, and strengthened the transmission and implementation of various management requirements for risk appetite. As a result, the risk appetite management became way more refined.

Second, the Bank exploited the rigid constraints of industry limits, to promote the effective implementation of credit policies. By optimizing the industry limit management system, it put in place the limit management mode, which supported the control of industry classification and proportion and the monitoring of industry aggregate and concentration. Credit policies, along with supply classification and limit management measures for industries with overcapacity, were used to guide the adjustment of the asset structure continuously.

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 kept inspecting the quality of 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, the Bank stuck to supporting the real economy, carried out industry approval in four major areas, conducted research on the industries affected by the "carbon peaking and carbon neutrality" goal and the hotspot areas of the national economy, and made headway in adjusting the credit structure and better allocating assets.

Fourth, the Bank actively guided the supply of acceptable assets, exercised risk control and formulated plans for key areas, strategic customers, and major projects as early as possible, and comprehensively improved the quality and efficiency of the entire business process, thus enhancing the operational efficiency across the board.

Fifth, the Bank made every effort to enhance professional competence and ensured all credit-granting personnel could steadily sharpen their necessary skills and capabilities for transformation and development through such methods as practice assessment, hierarchical training, online teaching and communication with internal and external experts.

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

The Bank continued to create a risk forewarning system that can send "precise signals", cover "full processes", and emphasize "application", making risk forewarning more comprehensive, effective and timely. First, precautions were adopted against customers triggering red warnings to prohibit new credits from being extended to them. Second, a routine risk forewarning management mechanism was established to cover domestic and overseas operations of the Group and monitor customer risks in a real-time manner. Third, the risk forewarning results were exported to the first line of defense for the purposes of embedding early warnings into business processes and bringing forward the timing of risk control. Fourth, a group-level risk forewarning feedback mechanism was established to cover consolidated institutions and overseas institutions, which could effectively predict the negative impact of cross-border and cross-industry transmission of risks, enhance the efficiency of the Bank's response to risk warnings, and strengthen its risk resilience. Fifth, efforts were made to optimize risk warning signals, enhance the accuracy of such signals, and improve the efficiency of using these signals.

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 and guidance 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 RMB64.8 billion. 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.

During the reporting period, 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 RMB36,653 million.

3.12.4 Statement on liquidity risk

The liquidity risk management objective is to ensure the Bank's ability to perform the obligations to provide funds when customers want to withdraw and to make payment to customers, as well as realize a balance between total assets and liabilities and the structure. Through active management, the liquidity cost can be reduced, liquidity crisis can be avoided, and the systemic liquidity risk can be coped with effectively.

During the reporting period, the Bank kept layered and proactive management of liquidity risk in line with the principle of aggregate balance and structural equilibrium; it carried out real-time monitoring on daily position accounts in local and foreign currencies, and made centralized 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 predict cash flow gap changes in future assets and liabilities' on-and-off-balance sheet items, and promptly conducted liquidity risk assessment for assets and liabilities' on-and-off-balance sheet items; the Bank 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 size, structure and pace to meet liquidity security requirements.

During the reporting period, the Bank maintained stable liquidity, continued meeting the regulatory requirements for liquidity risk, kept abreast of the regulation effects of credit policies and monetary policies, promptly 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. First, through refined operation, the Bank raised the proportion of general deposits significantly and enhanced the stability of liabilities. Second, the Bank never overstepped the bottom line for liquidity risk security, to ensure the safety of provisions. Combined with business development, it continuously improved the position forecasting mechanism, enhanced the position forecasting accuracy, tightened intraday position monitoring; it stepped up active risk forewarning and forecasting, closely monitored liquidity risk-related indicators, revealed relevant risks in a timely manner, made strategic adjustments, to ensure that the bank-wide liquidity risk indicators could stay within the risk appetite set out by the Board of Directors; and it regularly conducted stress tests and emergency drills to better cope with liquidity risk events. Third, the Bank strengthened liquidity analysis and forecast to achieve dynamic monitoring and forward-looking risk management. It tracked the liquidity trend, managed the maturities of 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 and liability management tools 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 strike a balance among liquidity, safety and profitability.

(Expressed in millions of RMB unless otherwise stated)

3.12.5 Market risk management conditions

In 2022, the Bank adapted itself to changes in the market, business landscape, and regulatory requirements, by continuing to optimize market risk management and enhance risk management capabilities. First, it stepped up efforts to guard against financial market risk, closely monitored the trends of the financial market, improved the management of market risk limits, strengthened the internal control management of business lines, and coordinated the first and second lines of defense for joint risk prevention and control. There were no material risk events throughout the year. Second, it optimized the management of market risk capital limits and further played the role of market risk appetite indicators in the risk forewarning, assessment and transmission of trading business. Third, it enhanced the market risk management capability and built the market risk system (version 2.0) to fully support the risk monitoring of trading business, bank-wide stress testing, and Basel III market risk measurement.

As at the end of the reporting period, the Bank's consolidated market risk capital was RMB3,888 million under the standardized approach and capitals occupied by general risk and specific risks are as follows.

Date	General risk capital					Specific risk capital	Total
	Interest rate risk	Exchange rate risk	Options risk	Commodity risk	Stock risk		
31 December 2022	1,829.97	865.78	277.08	329.39	41.01	544.40	3,887.63

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. During the reporting period, to implement regulatory requirements and push forward the Basel III project, the Bank continued to improve the operational risk management mechanism through a number of measures, including overseeing and providing guidance for the analysis of the causes of operational risk forewarning indicators and the adoption of rectification measures, implementing iterative optimization of the operational risk matrix, and cleaning and replenishing historical data on operational risk, so as to comprehensively improve the quality of operational risk data. Meanwhile, it carried out intensified supervision, inspections, reminders and training for primary-level institutions and subsidiaries, and put forth suggestions for rectifying the problems identified. Operational risk was controllable at large during the reporting period.

3.12.7 Statement on other risks

3.12.7.1 Compliance risk

Centering on the 14th Five-Year Plan, the Bank continued to promote three key tasks, that is, implementation of various policies across the board, abnormal employee behavior management and key business monitoring, made progress in the implementation of compliance mechanisms, continuously strengthened the foundation of internal control management and improved the compliance and internal control management, and carried out compliance training and warning education, in a bid to further firmly raise compliance awareness. During the reporting period, the Bank's compliance risk management was in a good shape overall.

3.12.7.2 Anti-money laundering (AML)

Pursuing a risk-based approach and focusing on regulatory requirements for AML, the Bank paid close attention to refined management. During the reporting period, it continued to improve the AML management mechanism, increased the input of AML resources, optimized the existing due diligence system, leveraged the driving force of financial technology, and advanced digital transformation, to comprehensively improve the quality and efficiency of AML efforts. Meanwhile, the Bank optimized its organizational structure for compliance management, assigned concrete AML-related internal control responsibilities with business segments and front-line institutions, and clearly defined the qualifications and career development paths for full-time and part-time AML employees, thus providing strong support for the formation of an elite AML team. Besides, the Bank independently developed an enterprise-level component for AML and customer information quality verification using financial technology to continuously improve the quality and efficiency of customer due diligence management at the level of underlying data, thus building a solid defense line for AML. The Bank strictly acted on the plans 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 improved the work mechanism of general legal counsel and carried out corporate governance according to the law on all fronts. It improved the internal policy management system, carried out legal compliance inspections, and promoted branches to operate in compliance with pertinent laws and regulations. It continued to carry out legal reviews properly, examined legal risk points in key areas, and supported sound business development in accordance with the law. The Bank made strides in digitalizing legal management and improving the management of contracts, litigation cases and intellectual property rights (IPRs). It continued to build a legal team and a think tank of internal and external lawyers with intensified efforts. It also raised the rule of law awareness through all-staff training and warning education, and engaged in financial law dissemination among the public through multiple channels.

3.12.7.4 IT risk

The Bank continued refining the IT risk management mechanism. During the reporting period, it conducted special IT risk assessments on the outsourcing of technological development, business continuity management and many other aspects, and put forward suggestions on enhancing IT risk management and control. Efforts were made to optimize and continue monitoring 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

The Bank continuously strengthened business continuity management, systemically identified each important business and the key resources it relied on, and boosted the ability to prevent and dispose of business interruption risks through a number of measures such as optimizing business continuity strategies, improving business continuity plans, building backup information systems and business sites with intensified efforts, and conducting business continuity drills, so as to ensure the stable operation of all important businesses.

3.12.7.6 Strategic risk

Sticking to the strategic management process of "strategy - planning - budget - appraisal", the Bank advanced the formulation, promotion and implementation of strategies and plans, and enhanced the leading role of strategies in its development. In the face of the severe external situations, the Bank thoroughly implemented core instructions of the CPC Central Committee and the State Council, regulatory requirements and the plans of the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government to put stability in the first place, seek progress amid stability, and further improve the quality of development. 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

Pursuant to various regulatory requirements, 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 improving the digitalized management of reputational risk. Besides, it stepped up new media management and application, which continuously enhanced the scale and influence of positive publicity. During the reporting period, the reputational risk was controllable overall.

3.12.7.8 Country risk

During the reporting period, to cope with the soaring country risk and geopolitical conflicts around the world, the Bank kept improving its country risk management capabilities and took a number of effective measures in building an internal rating model for country risk, comprehensively optimizing the country risk limit system, formulating a country risk stress testing methodology and contingency plans, and enhancing country risk management instruments. 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 2022, 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 continues to unleash dividends, the market-based reform of deposit interest rates is also going deeper. In April 2022, the PBC established the market-based adjustment mechanism for deposit interest rates, marking an important step forward in the market-based reform of deposit interest rates. The downward movement of deposit interest rates could help lower liability costs of banks, providing room to decrease effective loan interest rates and financing costs for the real economy, and appropriately alleviate the pressure of narrowing net interest margin faced by the banking industry. 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 2022, the international financial markets were shaken by multiple factors such as high inflation and monetary tightening in major economies. The US dollar index hit a new high in two decades. The RMB exchange rate remained relatively stable among major currencies worldwide, the foreign exchange market became more resilient and adaptable to changes in the external environment. The two-pronged management framework of the foreign exchange market, consisting of "macro-prudence and micro-supervision", improved continuously to provide a healthy market environment for the smooth cross-border flow of funds and rational transactions in the foreign exchange market. Against the backdrop of the still intricate situation at home and abroad and the ever-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, digital transformation entered the stage of normative development. In 2022, a series of policies such as the 14th Five-Year Plan for the Development of Digital Economy, the Financial Technology Development Plan (2022-2025) and the Guiding Opinions on the Digital Transformation of the Banking and Insurance Industries were introduced one after another, which clearly defined the goals of the industry for developing financial technology and advancing digital transformation during 14th Five-Year Plan period. In this context, accelerating the digital transformation of financial institutions has become an important initiative for the Chinese financial industry to serve the high-quality development of the real economy, and one of the historic missions that fall on the shoulders of the financial industry. This change could help commercial banks improve the efficiency of financial services, strengthen risk prevention and control, propel the high-quality development of the industry, and provide more powerful financial support for the real economy.

Fourth, the personal old-age pension system was launched in full swing. The year 2022 saw the official launch of the personal old-age pension system in China. During the year, the CBIRC issued a number of policies to gradually expand the scope of pilot old-age pension finance products and continuously diversify related products and services. In particular, the Interim Measures for the Management of Personal Old-age Pension Business of Commercial Banks and Wealth Management Companies (Draft for Comments), a document issued in November 2022, defined the scope of personal old-age pension business and set out specific requirements for personal old-age pension fund accounts, products, etc. With the emergence of diversified old-age pension-related financial products such as old-age pension savings, a multi-level and multi-pillar old-age pension insurance system will take shape in China fast. Banks will get involved in the process to play a greater role in providing elderly care services for the Chinese people.

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.

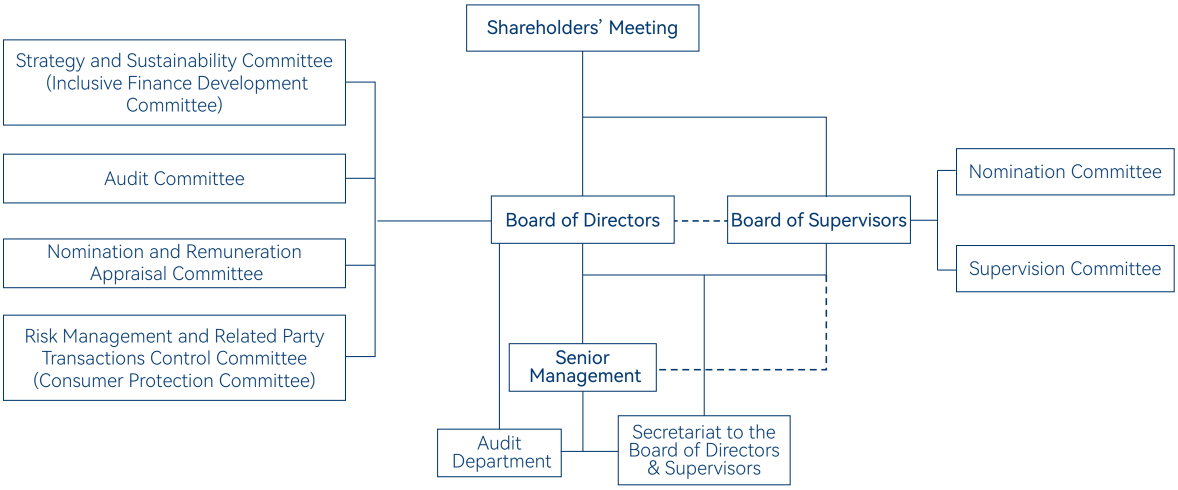
On 1 November 2019, the Bank finished issuing the A share convertible corporate bonds. The proceeds amounted to RMB50 billion and the net funds stood at some RMB49.912 billion after deducting the issuance expense. On 15 November 2019, the abovementioned A share convertible bonds were listed on SSE (stoke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

Corporate Governance 4

Corporate Governance

Corporate Governance Structure



4.1 Basic Situation of Corporate Governance

During the reporting period, the Bank earnestly studied and implemented the core instructions of the 20th CPC National Congress to modernize its corporate governance system and ability. It further promoted the integration of Party organizations with corporate governance, effectively made sure that the Party Committee could "steer the way forward, manage the overall situation, and guarantee the implementation", and insisted that major operation and management matters be discussed by the Party Committee before decisions were made by the Board of Directors or the Senior Management. It kept improving the corporate governance structure, strove to build a clear shareholding structure and a sound organizational structure, and drew the boundaries of responsibilities for the Shareholders' Meeting, the Board of Directors, the Board of Supervisors and the Senior Management, so as to ensure that all governance bodies could exercise their rights and fulfill their obligations in accordance with the principles of compliance within the scope of respective responsibility, coordinated operation and effective checks and balances, and safeguard the legitimate rights and interests of stakeholders. In doing so, the Bank endeavored to grow into a first-class joint-stock commercial bank with adequate capital, rigorous internal control, safe operation, high efficiency, and a strong sense of social responsibility.

During the reporting period, to act on the new requirements for and changes in the guidelines for corporate governance of the CBIRC, the CSRC and Shanghai SASAC, further regulate the corporate behavior, improve the corporate governance structure, and safeguard the interests of its own and its shareholders, the Bank revised the Articles of Association, the Rules of Procedure of the Shareholders' Meeting, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Board of Supervisors, which further improved such aspects of content as the integration of Party building with corporate governance and the participation of employee representatives in corporate governance in accordance with the law, refined the requirements for the performance of duties by directors and supervisors and the work system of independent directors, and enhanced the authorization management system, thus further regulating the operation of the Shareholders' Meeting, the Board of Directors and the Board of Supervisors. Relevant proposals have been considered and adopted by the Shareholders' Meeting, and the revised Articles of Association is subject to approval by the CBIRC.

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 and integrity	Yes	The Bank has its independent financial department, and has 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

According to the Articles of Association, the Shareholders' Meeting is the power body of the Bank, which exercises functions to decide on the Bank's business policies and investment plans, to elect and replace directors and supervisors who are not employee representatives and to decide on their remuneration, to decide on the Bank's annual financial budget and final accounts, the Bank's profit distribution plan and plan for making up for losses, to approve reports of the Board of Directors and the Board of Supervisors, etc.

During the reporting period, the Bank held one shareholders' meeting. The 2021 Shareholders' Meeting considered and adopted 11 proposals, including the 2021 Annual Work Report by the Board of Directors of the Bank, the 2021 Annual Work Report by the Board of Supervisors of the Bank, the 2021 Annual Final Accounts and 2022 Annual Financial Budget Report, the 2021 Profit Distribution Plan of the Bank, the Proposal on the Renewal of the Bank's Accounting Firm for 2022, the Proposal on the Amendment to the Articles of Association of the Bank, the Proposal on the Amendment to the Rules of Procedure of the Shareholders' Meeting, the Proposal on the Amendment to the Rules of Procedure of the Board of Directors, the Proposal on the Amendment to the Rules of Procedure of the Board of Supervisors, the Proposal on the Election of Directors of the Bank, and the Proposal on the Remuneration of Senior Management Members for 2020 and 2021. Meanwhile, it reviewed four reports, namely the Report of the Bank on the Assessment of Substantial Shareholders for 2021, the Work Report of Independent Directors for 2021, the Report of the Board of Supervisors of the Bank on the Performance of Duties by Directors, Supervisors and Senior Management for 2021, and the Report of the Bank on Related Party Transactions for 2021. 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
2021 Shareholders' Meeting	17 June 2022	http://www.sse.com.cn	18 June 2022

4.3.2 Directors and the Board of Directors

According to the Articles of Association of the Bank, the Board of Directors is responsible to the Shareholders' Meeting. Its main functions and duties include convening shareholders' meetings and implementing resolutions reached at such meetings; deciding on the Bank's business plan and investment plans; formulating the Bank's annual financial budget, final accounts, risk capital allocation plan, profit distribution plan and loss recovery plan; formulating plans of the Bank on the increase or decrease of registered capital, issuance of corporate bonds or other securities and listing; appointing or dismissing President and other Senior Management members of the Bank and deciding on their remuneration, rewards and punishments; and finalizing basic management policies of the Bank.

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. On these meetings, 91 resolutions were passed and 40 special reports were reviewed.

The Board of Directors of the Bank has established four special committees, namely, the Strategy and Sustainability 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 38 meetings. Of these, the Strategy and Sustainability Committee (Inclusive Finance Development Committee) held 12 meetings, the Audit Committee held eight meetings, the Nomination and Remuneration Appraisal Committee held four meetings, and the Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee) held 14 meetings. A total of 101 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, regulatory requirements and the Articles of Association, effectively protecting the legitimate rights and interests of the shareholders, maintaining the benefits of depositors and other stakeholders and effectively performing the trusteeship.

Name of special committee	Chairperson	Other members of the committee
Strategy and Sustainability Committee (Inclusive Finance Development Committee)	Zheng Yang	Pan Weidong, Guan Wei, Dong Guilin and Yuan Zhigang
Audit Committee	Zhang Ming	Guan Wei, Zhang Dong, Wang Zhe, Yuan Zhigang and Wu Hong
Nomination and Remuneration Appraisal Committee	Yuan Zhigang	Zheng Yang, Chen Zheng'an, Wang Zhe and Henry Cai
Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee)	Wang Zhe	Liu Yiyan, Zhang Ming, Henry Cai and Wu Hong

4.3.3 Supervisors and the Board of Supervisors

According to the Articles of Association of the Bank, the Board of Supervisors is responsible for supervising the Board of Directors in establishing a sound business philosophy and value guidelines and formulating development strategies that are in line with the Bank's actual conditions; supervising the Bank's business decisions, risk management, internal control and other aspects; reviewing and providing written opinions on the Bank's periodic reports; supervising how the Board of Directors and the Senior Management make and implement significant financial decisions; supervising and evaluating the performance of duties by the Board of Directors and its members, the Senior Management and its members and supervisors; supervising the timeliness, authenticity and completeness of data submitted to regulatory authorities; supervising the implementation of the resolutions reached by the Shareholders' Meeting, the Board of Directors and the Board of Supervisors; and supervising the implementation of the remuneration management system of the Bank and the scientificity and reasonableness of the remuneration packages developed for Senior Management members.

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 94 proposals were reviewed and approved and 31 reports were reviewed. Its special committees held 12 meetings, at which 42 proposals were considered and adopted and 11 reports were reviewed. These meetings required an in-person attendance of 126, which was met by 100%.

The Board of Supervisors surveyed 10 branches/institutions and management departments of the Head Office, held a total of 10 special meetings, and conducted one interbank exchange.

During the reporting period, the Board of Supervisors of the Bank submitted (presented) to the CBIRC, Shanghai SASAC, and the Shareholders' Meeting a number of special reports, including the Report on the Evaluation of the Duty Performance by Directors, Supervisors, and Senior Management in 2021, the Supervision Evaluation Report in 2021, the 2021 Annual Work Report by the Board of Supervisors, the Report of the Board of Supervisors of the Bank on Carrying out the Special Inspection of Rectifications Made upon the Approval of Annual Final Accounts, the Report on the Supervision of Financial Risk Forewarning in the First Three Quarters of 2022 and the Report on Special Inspection of the Resolution and Disposal of Material Risk Matters.

Name of special committee	Chairperson	Other members of the committee
Nomination Committee	Wu Jian	Wang Jianping, Sun Wei, Wang Yuetang and Li Guangming
Supervision Committee	Wang Yuetang	Wang Jianping, Cao Yijian, Wu Jian and Zhang Baoquan

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 plans 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 line of "holding fast to long-term commitments, laying a solid foundation, advancing overall, and playing the empowering role of digital means" 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 fulfilling its information disclosure obligations according to the law 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, 68 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. In the periodic reports, the Bank took the initiative to strengthen strategic promotion, led investors to understand its strategic plans and objectives in depth, and protected investors' right to information effectively. The Bank further refined its information disclosure management policies, 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 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	-	40.00	104.00	No
Chen Zheng'an	Deputy Party Committee Secretary, Executive Director	Male	1963	16 December 2019 - the end of tenure	-	-	77.11	No
Liu Yiyan	Executive Director, Vice President, CRO	Male	1964	16 December 2019 - the end of tenure	-	23.59	88.40	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
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	-	-	365.98	No
Zhang Baoquan	Employee Supervisor	Male	1965	29 December 2020 - the end of tenure	-	-	395.65	No
He Weihai	Employee Supervisor	Male	1967	16 December 2019 - the end of tenure	-	-	409.56	No

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 remuneration from related parties
Jiang Fangping	Head of Discipline Inspection and Supervision Office at SPD Bank	Male	1966	Since August 2019	-	-	77.11	No
Wang Xinhao	Vice President, CFO	Male	1967	16 December 2019 - the end of tenure	-	23.10	88.40	No
Cui Bingwen	Vice President, Chief Legal Advisor	Male	1969	16 December 2019 - the end of tenure	-	20.67	83.20	No
Xie Wei	Vice President, Secretary to the Board of Directors	Male	1971	16 December 2019 - the end of tenure	-	21.70	88.40	No
Total remuneration received from the Bank during the reporting period							2,061.49	

Notes:

(1) As at the end of the reporting period, the off-office audit of Liu Xinyi, a proposed director of the Bank was still underway, and he will start to perform his duties after his qualifications are approved by the CBIRC upon the completion of the off-office audit. During the reporting period, Zhu Yi, Bo Jinzang, Wan Jianhua, Sun Lijian and Ye Jianfang were elected as directors by the Shareholders' Meeting and would formally assume their duties upon approval of their qualifications by the CBIRC.

(2) In January 2023, the Bank received the resignation of Mr. Wang Xinhao, Vice President and CFO. Due to job transfer, Mr. Wang applied for resignation from the positions of Vice President and CFO of the Bank. For details of related matters, please refer to the announcement of the Bank dated 18 January 2023.

(3) In January 2023, the Bank received the Reply of the CBIRC on Approving the Qualifications of Sun Lijian of Shanghai Pudong Development Bank, according to which Mr. Sun Lijian was approved to serve as an independent director of the Bank. As of the date when Sun Zhijian starts to assume his duties as an independent director, Mr. Yuan Zhigang will cease to be an independent director of the Bank, whose term of office has expired. For details of relevant matters, please refer to the announcement of the Bank dated 20 January 2023.

(4) In March 2023, the Bank received the Reply of the CBIRC on Approving the Qualifications of Bo Jingang of Shanghai Pudong Development Bank, according to which Mr. Bo Jingang was approved to serve as a director of the Bank. For details of related matters, please refer to the announcement of the Bank dated 2 March 2023.

(5) In April 2023, the Bank received the Reply of the CBIRC on Approving the Qualifications of Ye Jianfang of Shanghai Pudong Development Bank, according to which Ms. Ye Jianfang was approved to serve as an independent director of the Bank. As of the date when Ye Jianfang starts to assume her duties as an independent director, Mr. Zhang Ming will cease to be an independent director of the Bank, whose term of office has expired. For details of related matters, please refer to the announcement of the Bank dated 14 April 2023.

4.5.2 Changes in directors, supervisors, and Senior Management members

Name	Position	Change	Reasons for the change
Zhu Yi	Director to be appointed	Elected	(1) In April 2022, the Board of Directors of the Bank received the resignations of Mr. Wang Zhe, Mr. Zhang Ming and Mr. Yuan Zhigang. After serving as independent directors of the Bank for six consecutive years, they applied for resignation from their positions as independent directors and from the relevant special committees of the Board of Directors as per the provisions of the regulatory authorities and the Articles of Association of the Bank on the term of office of independent directors. The above three independent directors will continue to perform their duties until the date when the qualifications of the three new independent directors are approved by the CBIRC. For details, please refer to the Bank's announcement dated 29 April 2022. (2) In June 2022, the 2021 Shareholder's Meeting of the Bank considered and adopted the Proposal on the Election of Directors, electing Mr. Zhu Yi and Mr. Bo Jinzang as shareholder directors of the Bank and Mr. Wan Jianhua, Mr. Sun Lijian and Ms. Ye Jianfang as independent directors of the Bank. The above proposed directors shall assume office upon approval of their qualifications by the CBIRC.
Bo Jingang	Director to be appointed	Elected	
Wan Jinhua	Independent director to be appointed	Elected	
Sun Lijian	Independent director to be appointed	Elected	
Ye Jianfang	Independent director to be appointed	Elected	

4.5.3 Remuneration received by directors, supervisors and Senior Management members after the assessment and confirmation by competent agencies in 2021

The annual compensation of directors, supervisors and Senior Management members has been disclosed in the 2021 Annual Report of the Bank. After examination and confirmation by the competent agencies, the remuneration of directors, supervisors and Senior Management members who served the Bank full-time in 2021 is additionally disclosed as follows:

Name	Position	The rest of the pre-tax remuneration for 2021 (in RMB10,000)	Employer's contribution to social security, enterprise annuity, supplemental medical insurance and housing allowance (in RMB10,000)
Zheng Yang	Party Committee Secretary, Chairman, Executive Director	37.07	20.53
Pan Weidong	Deputy Party Committee Secretary, Vice Chairman, Executive Director, President	46.80	25.94
Chen Zheng'an	Deputy Party Committee Secretary, Executive Director	35.53	20.10
Liu Yiyan	Executive Director, Vice President, CRO	44.20	24.49
Li Guangming	Employee Supervisor	-	22.62
Zhang Baoquan	Employee Supervisor	-	20.74
He Weihai	Employee Supervisor	-	21.73
Jiang Fangping	Head of Discipline Inspection and Supervision Office at SPD Bank	35.53	20.10
Wang Xinhao	Vice President, CFO	26.52	24.49
Cui Bingwen	Vice President, Chief Legal Advisor	37.44	24.01
Xie Wei	Vice President, Secretary to the Board of Directors	44.20	24.49

Note: According to the remuneration measures for organization-appointed leaders and the tenure evaluation results for 2019-2021, the in-tenure incentive pay of relevant personnel will be subject to deferred payment according to the regulations and will be disclosed separately according to the actual disbursement.

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

4.5.4.1 Directors

Directors in office as at the end of the reporting period

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 State 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.

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, General Manager of Personal Banking Headquarters of SPD Bank, and General Manager and Director of Human Resources Department of SPD Bank at the Head Office. 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.

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.,

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Independent 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 Executive Chairman of Deutsche Bank Investment Banking Asia Pacific, Chairman of UBS Investment Banking Asia, Chairman of BNP Paribas Capital (Asia Pacific) Ltd. in China, Senior Vice President and Managing Director of Peregrine's Investment Banking Division, and Member of the Chinese Enterprise Going Public Abroad Steering Group under the State Commission for Economic Restructuring of the State Council, and Chairman of the Joint Conference for Secretaries to the Boards of Directors of Chinese H-share Enterprises. He currently works as Chairman and co-founder of AGIC Capital, Independent Director of China Eastern Airlines Co., Ltd., Independent Director of China COSCO Shipping Corporation Limited, Independent Director of BYD Co., Ltd., Independent Director of China Southern Airlines Co., Ltd., and External Supervisor of China Merchants Bank 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 Orient Securities Co., Ltd., and Independent Director of Western Leadbank FMC.

Directors to be appointed as at the end of the reporting period

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.

Zhu Yi, male, born in 1964, has a Master's degree, and is a Senior Accountant. He previously served as Deputy Director of the Corporate Audit Division of the Audit Bureau of the Ministry of Posts and Telecommunications, Chief of the Infrastructure Finance Division of the General Administration of Posts and Telecommunications of China, Director of the Fund Allocation Center and Deputy General Manager of the Finance Department of China Mobile Communications Corporation, and General Manager of China Mobile Financial Company Limited. He currently works as Chairman and Party Committee Secretary of China Mobile Financial Company Limited, and Member of the 10th Council of China National Association of Finance Companies.

Bo Jingang, male, born in 1964, has a Doctorate degree, and is a Professor-Level Senior Engineer. He previously served as Chief Engineer and Deputy Director General of Tianjin Municipal Bureau of Telephone Exchange, Deputy General Manager of China Mobile Communications Group Tianjin Co., Ltd., Chairman of China Mobile Communications Group Jilin Co., Ltd., General Manager and Party Committee Secretary of the Procurement Sharing Service Center of China Mobile Communications Co., Ltd., and Chairman and Party Committee Secretary of China Mobile Communications Group Terminal Co., Ltd. He currently works as Director of China Mobile IoT Company Limited and Director of China Mobile Financial Technology Co., Ltd.

Wan Jianhua, male, born in 1956, has a Master's degree. He previously served as Executive Vice President of the Head Office of China Merchants Bank, First Chairman and President of China UnionPay, President of Shanghai International Group Co., Ltd., Chairman of Guotai Junan Securities, and First Chairman of Shanghai Finance Institute. He currently works as Chairman of the Association of Shanghai Internet Finance Industry, Chairman of Allinpay Network Service Co., Ltd., Independent Director of Great Wall Fund Co., Ltd., and Independent Director of Shanghai Xinnanyang Only Education&technology Co., Ltd.

Sun Lijian, male, born in 1962, has a Doctorate degree. He previously served as Assistant Professor at a Tongji University branch, Design Assistant at Nose Shuji Architectural Research Institute in Japan, and Member of the 7th State Council Academic Degree Committee for Applied Disciplines. He currently works as Director of the Financial Research Center and Professor of the School of Economics at Fudan University, Member of the Central Committee and Deputy Director of the Central Economic Committee of the Zhigong Party, Executive Director of China Society of World Economics, Executive Director of the Chinese Association of Quantitative Economics, and Chief Expert of the National Major Research Projects for Philosophy and Social Sciences.

Ye Jianfang, female, born in 1966, has a Doctorate degree. She previously served as Lecturer and Associate Professor at Shanghai University of Finance and Economics. Currently, she currently works as Professor and Doctoral Supervisor at the School of Accountancy of Shanghai University of Finance and Economics, Member of the Advisory Committee on Enterprise Accounting Standards, the Ministry of Finance, Independent Director of Bank of Suzhou Co., Ltd., Independent Director of Shanghai New Power Automotive Technology Company Limited, Independent Director of Shanghai Shibei Hi-Tech Co., Ltd., and Independent Director of Keboda Technology 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) as well as Chairman of Shanghai Gas (Group) Co., Ltd.

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 Executive Chairman of the Global Board of Directors 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, 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 (concurrently President of SPD Bank Charity Foundation).

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 the Head Office of 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 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	Starting date of appointment
Guan Wei	Shanghai International Group Co., Ltd.	Vice President, CFO	December 2018
Dong Guilin	China National Tobacco Corporation Jiangsu Company	Deputy General Manager	December 2020
Sun Wei	Bailian Group Co., Ltd.	Vice President	6 April 2016
Cao Yijian	Shanghai Jiushi (Group) Co., Ltd. Shanghai Sitico Assets Management Co., Ltd.	General Manager of Investment Development Department Director	4 April 2018 4 September 2021
Li Qingfeng	Shanghai Jiulian Group Limited	Chairman	16 October 2020

4.7 Overview of Service in Other Entities

Name	Name of entity	Current position
Zheng Yang	SPD Silicon Valley Bank Co., Ltd.	Chairman
Liu Yiyan	SPDB Financial Leasing Co., Ltd.	Chairman
Guan Wei	Shanghai State-owned Assets Operation Co., Ltd.	Chairman
	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	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.	Independent 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, co-founder
	China Eastern Airlines Co., Ltd.	Independent Director
	China COSCO Shipping Corporation Limited	Independent Director
	BYD Co., Ltd.	Independent Director
	China Southern Airlines Company Limited	Independent Director
	China Merchants Bank Co., Ltd.	External Supervisor
Wu Hong	East China University of Political Science and Law	Professor, Doctoral Supervisor
	Orient Securities Co., Ltd.	Independent Director
	Western Leadbank FMC Co., Ltd.	Independent Director
Sun Wei	Shanghai Bailian Li'an 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
	Shanghai Gas (Group) Co., Ltd.	Chairman

Name	Name of entity	Current position
Wu Jian	Duan & Duan	Executive Chairman of the Global Board of Directors, 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
	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 Remunerations 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 RMB18.6349 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	14	10	0	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	14	10	0	0	No	1
Dong Guilin	No	14	14	10	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 2022, 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 38 meetings, and independent directors actively attended meetings of special committees, where they played a great role; one meeting of independent directors was held during the reporting period, with one resolution passed, and independent directors expressed 21 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. 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 and Sustainability 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).

Strategy and Sustainability Committee (Inclusive Finance Development Committee)

As at the end of the reporting period, the Strategy and Sustainability 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 and Sustainability Committee (Inclusive Finance Development Committee) held 12 meetings, at which it considered 32 proposals, including the Proposal on the Guidelines on Innovation Management, the Proposal on the Amendment to the Articles of Association, the Proposal on the Amendment to the Rules of Procedure of the Shareholders' Meeting, the Proposal on the Amendment to the Rules of Procedure of the Board of Directors, the Proposal to Add responsibilities Related to Sustainability to and Rename the Strategy Committee (Inclusive Finance Development Committee) of the Board of Directors, the Proposal on the Amendment to the Working Rules of the Strategy and Sustainability Committee (Inclusive Finance Development Committee) of the Board of Directors, the Proposal on the Measures for the Management of Authorization by the Board of Directors, the Proposal on the Amendment to the Working Rules of the President, the Proposal on the 2021 Corporate Social Responsibility Report of the Bank, the Proposal on the Working Rules of the Secretary to the Board of Directors, the Proposal on the Institution Setting Plan for 2022, the Proposal on the Asset and Liability Management Policy for 2022, the Proposal on the Inclusive Finance Work Summary in 2021 and Work Plan for 2022, the Proposal on the Capital Management Plan for 2022-2024, the Proposal on the Recommended Recovery and Resolution Plan (Version 2022), and the Proposal on the Analysis of Strategy Implementation in the First Half of 2022. Besides, it also reviewed two reports, namely the Report on the Implementation of the Action Plan for 2019-2021 and the Report on International Development in 2021.

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 Compensation Appraisal Committee held four meetings, at which it considered seven proposals, including the Report on the Evaluation of Duty Performance by Directors for 2021, the Work Report by Independent Directors for 2021, the Proposal on the Remuneration of Senior Management Members for 2021, the Proposal on the Implementation of Remuneration Allocation for 2021, the Proposal on the Nomination of Candidates for Directors, the Proposal on the Duty Performance Evaluation of Senior Management Members (Professional Managers) for 2021 and Relevant Tenure, and the Proposal on the Amendment to the Measures for the Management of Posts and Ranks.

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 14 meetings, at which it considered 42 proposals, including the Proposal on the Group-wide Risk Appetite for 2022-2024, the Proposal on the Amendment to the Working Rules of the Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee), the Proposal on the Authorization for Write-off of Asset Losses in 2022, the Proposal on the Write-off of Asset Losses, the Proposal on Related Party Transactions in 2021, the Proposal on the 2021 Work Summary of and 2022 Work Plan for Consumer Protection, the Proposal on the Regulatory Evaluation of Consumer Protection by the CBIRC for 2021, and the Proposal on the Self-assessment of Money Laundering Risks for 2021. Besides, it reviewed 28 reports, such as the Report on Comprehensive Risk Management in 2021, the Report on the Implementation of Risk Appetite in 2021, the Legal Compliance Risk Management Report for 2021, and the Anti-money Laundering Work Report for 2021.

The 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 eight meetings, at which it considered 20 proposals, including the Proposal on the 2021 Annual Report and Its Summary, the Proposal on the 2022 Q1 Report, the Proposal on the 2022 Interim Report and Its Summary, the Proposal on the 2022 Q3 Report, the Proposal on the 2021 Final Accounts and 2022 Financial Budget, the Proposal on Profit Distribution for 2021, the Proposal on the Internal Control Evaluation Report for 2021, the Proposal on the Renewal of the Accounting Firm, the Report on Duty Performance by the Audit Committee of the Board of Directors for 2021, the Report on the Evaluation of the Duty Performance by the Chief Audit Officer for 2021, the Proposal on the Disclosure of Global Systemically Important Bank Assessment Indicators for 2021, and the 2022 Work Summary of & 2023 Work Plan for Internal Audits. Besides, it reviewed six reports such as the 2021 Annual Operation Report of the Bank.

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 among supervisors of the Bank during the reporting period.

During the reporting period, the Board of Supervisors held 14 meetings, where it considered and adopted 94 proposals and reviewed 31 reports. The special committees of the Board of Supervisors hosted a total of 12 meetings, where they considered and adopted 42 proposals and reviewed 11 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, consumer protection, and internal audit, among other topics. Supervisors actively voiced their comments and suggestions at these meetings. Specifically, they proposed strengthening compliance and internal control through flexible means to enhance business compliance; they strictly curbed new risks and mitigated old ones, optimized provisioning, and built risk prevention capabilities; they further explored new ways to dispose of and manage non-performing loans (NPA), to effectively safeguard the Bank's rights and interests; they further intensified marketing, attached importance to investor relations management, and protected consumer rights and interests, with a view to winning greater market recognition.

During the reporting period, the Board of Supervisors of the Bank surveyed 10 primary-level branches/institutions and management departments of the Head Office, and held a total of 10 special meetings. 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 Senior Management Members in 2021. 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, development strategies, financial and investment situations, and internal control, among other aspects of the Bank, with the findings compiled into the Supervisory Evaluation Report of Shanghai Pudong Development Bank. It submitted to the Shareholders' Meeting the 2021 Annual Work Report by the Board of Supervisors and the Report on the Evaluation of Duty Performance by Directors, Supervisors and Senior Management Members in 2021, 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, data governance, consumer protection, etc.

During the reporting period, the Board of Supervisors of the Bank paid ongoing attention to risk management. It considered and reviewed a number of proposals and reports, including the Comprehensive Risk Management Report for 2021 and the Group-wide Risk Appetite for 2022-2024, and oversaw the performance of duties by the Board of Directors and the Senior Management in liquidity risk, credit risk, interest rate risk in the banking book (IRRBB), reputational risk, concentration risk, stress testing, comprehensive risk management and other aspects.

During the reporting period, the Board of Supervisors strengthened the oversight of compliance and internal control. It considered a number of proposals including the Internal Control Evaluation Report for 2021, checking the compliance of the procedures through which the evaluation report was prepared and the objectivity of the evaluation results. The Board of Supervisors conducted a special survey on the work done with respect to legal compliance, paid attention to compliance management, got informed of the progress made in problem rectification, strengthened the supervision of repeated problems, urged the Bank to improve the accuracy of accountability, and requested the full use of internal and external legal forces to safeguard the Bank's rights and interests to the maximum extent.

During the reporting period, the Board of Supervisors strengthened financial supervision. It actively supervised operating results and financial position of the Bank, carefully considered periodic reports, worked harder to oversee financial compliance and authenticity, and reviewed and adopted a number of important proposals such as the annual business report, annual report and its summary, and annual final accounts and budget of the Bank. The Board of Supervisors paid close attention to important financial decisions, important financial income and expense activities and financial risk controls of the Bank, and urged the Bank to further strengthen financial income and expense management, reduce costs, and increase efficiency.

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 rectification of problems pointed out in the reply to annual final accounts and the early warnings about financial risks. Besides, it followed up with the subsequent rectification or implementation on an ongoing basis.

During the reporting period, the Board of Supervisors of the Bank improved the supervision mechanism and brought into play the supervision synergy. It strengthened the communication of external auditors to make sure they could fulfill their audit responsibilities properly; strengthened the supervision of internal audit to play its due role; intensified the linkage with disciplinary inspection and supervision activities to make supervision efforts more effective and urged employee supervisors to perform their duties and protect the rights and interests of employees; increased learning and exchange sessions to enhance the ability of supervisors in performing their duties; and strengthened the guidance for subsidiaries to improve the performance of their board of supervisors.

4.10.1 Duty performance 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 2022, the Board of Supervisors held 14 meetings and the rate of attendance of external supervisors in person reached 100%.

Corporate Governance

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 Duty performance 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 two meetings, at which it considered six proposals, namely the Report on the Evaluation of Duty Performance by Directors in 2021, the Report on the Evaluation of Duty Performance by Supervisors in 2021, the Report on the Evaluation of Duty Performance by the Senior Management Members in 2021, the Proposal on the Remuneration of the Senior Management Members in 2021, the Proposal on the Revision of the Performance Appraisal and Remuneration Distribution Plan for Other Leaders Appointed and Managed by the Organization, and the Proposal on the Implementation of Remuneration Distribution in 2021.

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 10 meetings, at which it considered 36 proposals, including the Proposal on the 2021 Annual Report and Its Summary, the Supervisory Evaluation Report for 2021, and the Proposal on the Comprehensive Risk Management Report for 2021. Besides, it also reviewed 11 reports, including the Report on the Implementation of the Risk Appetite for 2021 and the Report on the Management of Interest Rate Risk in the Banking Book for the First Half of 2022.

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	61,599
Total in-service employees of main subsidiaries	3,132
Total in-service employees	64,731
Retired employees in the parent company and main subsidiaries	1,916
Incl.: Disciplines of employees of the parent company	
Senior Management members	314
Banking staff	54,838
Technical staff	6,447
Incl.: Education level of employees in the parent company	
Junior college and vocational school	8,871
Bachelor's degree	39,350
Master's degree and Doctorate degree	13,378

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 staff remuneration policy of the Bank 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. 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.

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.

During the reporting period, the parent company accrued employee remunerations totaling RMB26,492 million for regular employees and other types of employees, totaling 61,599 people.

4.11.3 Human resources management

During the reporting period, the Bank kept reforming its personnel management and incentive & constraint mechanisms to better serve the high-quality development on all fronts. First, it made concerted efforts to create a good working atmosphere, innovate working mechanisms, and improve the quality and efficiency of Party building activities, thus further consolidating the organizational foundation. Second, tiered and classified measures were taken to serve the overall development of the Bank and improve the quality of team building. Focusing on the top-level design with respect to personnel management, the Bank worked to select and use young cadres, intensify capacity building among cadres, enrich the means of talent introduction, and deepen the talent training and exchange mechanism, thus creating an atmosphere in favor of talent development. Meanwhile, the "Capacity to Learn" project was pushed forward to constantly improve the training experience and value. Third, the Bank reformed related systems and mechanisms to stimulate the endogenous power. For example, the reform of the mechanism ensuring cadres can be promoted and demoted, employees can be hired and dismissed, and income can be raised and cut as actually needed was advanced continuously to improve the cadre supervision and management, and to strengthen the cadre assessment and performance evaluation. With the goal of maintaining total constraints and facilitating development, the reform of resource allocation was pushed forward. Based on long-termism, the Bank continued to implement the incentive and constraint mechanism in depth, and to digitalize human resources management in combination with the building of a panoramic bank.

4.11.4 Staff training plan

During the reporting period, the Bank focused on implementing various strategic plans and operational requirements, started with "intensifying capacity building, solidifying the management foundation, and propelling business development", gave full play to the role of training and education programs in "enhancing cohesion, improving efficiency, and safeguarding development", saw training and education programs penetrate front-line operations and integrate with business scenarios, and helped cadres and employees do better in research, business, IT adoption and innovation by offering intellectual and training support. First, the "Capacity to Learn" project was advanced to enhance the training experience and value. Second, focusing on the requirements of high-quality development, the Bank built a talent team and conducted key business training programs, to turn out more professional talents. Third, the "Let's go to the future" learning channel was introduced to convey the values of the Bank and enhance the comprehensive competence of employees. Fourth, the digital training platform was improved to offer a better user experience and provide services more efficiently. Fifth, efforts were made to strengthen the whole-process training management and bring the enabling role of training into better play.

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.

(Expressed in millions of RMB unless otherwise stated)

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

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 (%)
2022	–	3.20	–	9,393	45,818	20.50
2021	–	4.10	–	12,034	47,650	25.26
2020	–	4.80	–	14,089	55,244	25.50

Note: The 2022 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 29,352,174,170, the total ordinary shares of the Bank as at the end of the reporting period.

4.12.3 2022 profit distribution plan of the Bank

The audited 2022 accounting statement showed that, the parent company realized a total net profit of RMB48,479 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 RMB43,126 million.

The Bank proposed the 2022 profit distribution plan as follows:

(1) To withdraw discretionary surplus reserve at 30% of after-tax profit of the year, RMB14,544 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 2022.

(3) To distribute to all shareholders cash dividends at RMB3.20 (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 2022, the Bank's ordinary shares totaled 29,352,174,170, based on which the cash dividends to be distributed were calculated in RMB9,393 million (tax inclusive).

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

In 2022, 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 duty performance appraisal and remuneration allocation for professional managers and other leaders nominated and managed by the organization for 2021 and relevant tenure.

4.14 Formulation and Implementation of Internal Control Policies

The Bank prepared the 2022 Internal Control Evaluation 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.

During the reporting period, the Bank supplemented and improved the rules and policies for internal control management and evaluation, enhanced the internal control system, and stepped up efforts to protect financial consumers. Meanwhile, to continuously improve the quality of internal control evaluation, it further established and improved a supervision and evaluation system where the Head Office and branches could carry out audits independently. It realized the whole-process control of defining the scope of internal control evaluation, implementing evaluation, reporting problems identified, and eliminating internal control deficiencies through the unified inspection and coordination of internal control management, follow-up rectification, evaluation and assessment, and duty performance accountability, to effectively identify and rectify internal control management problems and ensure the continuous and efficient operation of the internal control system.

4.15 Relevant Information about Internal Control Audit Report

The Bank prepared and disclosed the 2022 Internal Control Evaluation Report. KPMG Huazhen LLP audited the effectiveness of the internal control over financial reporting of the Bank as of 31 December 2022, and issued the Internal Control Audit Report. Full text of the above report has been published on SSE's website (www.sse.com.cn).

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5 Environmental & Social Responsibilities

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. According to the Strategic Development Plan of SPD Bank (Group) for 2021-2025, the Bank worked harder to fulfill ESG responsibility in 2022. By fully exploiting the steering role of strategy and implementing strategically important plans, it strove 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. SPD Bank saw its rating upgraded from "BBB" to "A" in the 2022 Environmental, Social and Corporate Governance (ESG) ratings released by Morgan Stanley Capital International (MSCI) in November 2022.

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 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 development of green finance business. It supported the Bank to unswervingly accelerate the transformation of "carbon peaking and carbon neutrality", develop green finance in an innovative way, actively participate in the drive of high-level modernization in which people and nature co-exist in harmony, and stay true to the path for putting ecological conservation first and seeking green, low-carbon development.

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 has been established under the Senior Management to coordinate the implementation of the Bank's strategies for developing green finance business; the Green Finance Department has been set up at the Head Office to act on the resolutions reached by the Green Finance Promotion Committee; all domestic branches of the Bank have set up inter-departmental deliberative bodies with respect to green finance to promote the development of green finance by their operating institutions in the light of local conditions.

Green finance policies and systems

To adapt itself to the trend of green and low-carbon transformation, the Bank has set out in its 14th Five-Year Plan pushing forward the "carbon peaking and carbon neutrality" transformation and building a green bank as a development strategy. It is dedicated to continuously improving the capacity, quality and efficiency of green finance services, achieving new breakthroughs in the field of green finance, and better assisting the real economy and society to go green on all fronts.

With the goal of "carbon peaking and carbon neutrality", the Bank put in place a multi-level strategic planning system for developing green finance. First, a comprehensive green finance service system. Integrating the results achieved in international cooperation and independent innovation, the Bank published the Green Finance-based Comprehensive Service Solution (Version 3.0), created an innovative, leading and professional "6+N" service system, and saw green finance better penetrate the corporate banking business, retail banking business and financial market segments as well as the business of subsidiaries across the Group. By doing so, it would form a group-wide, three-dimensional, multi-level and broad-coverage green finance service system, and build a green financial service system that is group-oriented, three-dimensional, multi-level and wide coverage. Second, an environmental and social risk management system. The Bank further intensified the building of an environmental and social risk management system, made it clear that environmental and social risk management should implement the principles of whole process, all elements, all aspects and full coverage, took multiple measures to improve the top-level design of the environmental and social risk management system, and incorporated environmental risk into the scope of comprehensive risk management. Third, a system of innovative products and services for green finance. The Bank continuously innovated green products and participated in carbon market building from multiple dimensions. It signed a cooperation agreement for bank fund settlement business with Carbon Emission Rights Registration and Settlement (Wuhan) Co., Ltd., got connected to the depository system of Guangzhou Futures Exchange, and was granted the Excellent Settlement Institution Award by Shanghai Environment and Energy Exchange, thus forming a four-in-one carbon finance business that could cover basic services, product innovation, carbon trading and market making, and research and capacity building.

Innovations in green finance services

In the area of climate investment and financing, the Bank moved early and fast to undertake the pilot climate investment and financing projects that had been approved nationwide. In 2022, it provided financial service solutions for the Qingdao West Coast New Area National Ecological Conservation Demonstration Zone, one of the first pilot climate investment and financing projects in China, to answer the national call of "carbon peaking and carbon neutrality".

In terms of biodiversity protection, since becoming a signatory to the Common Declaration of Banking Financial Institutions Supporting Biodiversity Conservation, the Bank has actively responded to the call of the banking association, and focused on a number of areas such as marine biodiversity conservation, water environmental protection in key river basins, ecological restoration, and soil treatment and restoration, in a bid to support ecological conservation and biodiversity protection with financial strength.

In terms of carbon finance, 2022 Anhui Energy SCP004 (Carbon Asset), the first carbon asset bond in the market with the Bank serving as the sole lead underwriter, was issued in the interbank bond market. The bond adopted the fixed interest rate and floating interest rate, with the floating interest rate linked to the carbon emission allowance (CEA) yield. It would help revitalize the carbon assets of enterprises and provide them with financing channels for energy conservation and carbon reduction.

Green credit

As at the end of the reporting period, the Bank's green loan balance was RMB427.1 billion, an increase of RMB115.8 billion or 37.2% year on year. Its balance of loans going to the clean energy industry was RMB118.4 billion, a year-on-year increase of RMB44.5 billion. The Bank ranked the top among all joint-stock commercial banks in China by the aforesaid two indicators.

Carbon emission reduction instruments issued by the PBC

During the reporting period, the Bank continued to facilitate green, low-carbon development with financial strength. It issued carbon emission reduction loans of RMB23.9 billion to 180 projects, which contributed to an annual reduction of 5.88 million tons of carbon dioxide equivalent. Since the obtainment of carbon emission reduction instruments, the Bank has issued carbon emission reduction loans of RMB34 billion to 215 projects in total, which contributed to an annual reduction of 8.09 million tons in CO2 equivalent, a figure at the forefront of joint-stock commercial banks in China. All of these loans went to clean energy, energy conservation and environmental protection, carbon emission reduction technologies, and other fields pivotal to the realization of the goal of "carbon peaking and carbon neutrality".

Underwriting green bonds

During the reporting period, the Bank underwrote RMB13.3 billion of green and sustainability bonds, of which the green debt financing instruments amounted to RMB9.6 billion. The Fourth Tranche of Ultra-short-term Financing Bond (Carbon Asset) in 2022 was issued by Anhui Province Energy Group Company Limited and underwritten by the Bank, which became the first carbon asset bond in China. The Third Tranche of Medium-term Note (Scientific and Technological

Innovation/Sustainability-linked) in 2022 was issued by Shandong Gold Group Co., Ltd. and underwritten by the Bank, which became the first sustainability-linked scientific and technological innovation note in China.

Green asset securitization

During the reporting period, the Bank underwrote nine green financial asset-backed notes. Of the total issue size of RMB2,912 million, RMB2,728 million was underwritten by the Bank.

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 toward energy conservation and emission reduction. It completed the renovation, upgrading and iterative optimization of power-consuming equipment in some branches, vigorously promoted green operation in the systematic and digitalized manner, pushed forward the development of the bank-wide sub-systems for energy conservation and emission reduction to realize the "carbon peaking and carbon neutrality" goal, and continued to improve the real-time monitoring and visualization of energy consumption data.

During the reporting period, through energy performance contracting, the Bank saved a total of 4,138,400 kWh of electricity, which was equivalent to 1,738 tons of carbon dioxide emissions. Zhangjiang Technology Sub-branch, Minhang Sub-branch and Chongming Sub-branch of Shanghai Branch were awarded the "Carbon Neutral" certificate by Shanghai Environment and Energy Exchange ahead of other local peers.

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 well-being with financial forces. The Bank contributed to the sustainable development of the Chinese economy and society, striving to shape itself as a respectable and trustworthy corporate citizen.

During the reporting period, the Bank established the SPD Bank Charity Foundation to pass on the power of public welfare with love. It donated money to support a number of projects, including the rooftop distributed solar photovoltaic power station project in Wenshan, Yunnan, the "Lighting up the Countryside: Qiulong Village" project in Kashgar, Xinjiang, the lighting project in Baoshan, Yunnan, the edible mushroom industry development project in Qujing, and the agricultural products trading market building project in Tonghai, which contributed to changing the appearance of villages, improving the living environment of rural residents, and driving the development of rural industries according to local conditions.

During the reporting period, the Bank made 41 charitable donations totaling RMB47,954,800. Of these, 26 assistance projects were implemented, with RMB18,875,100 invested; and 15 public welfare projects were carried out, with RMB29,079,700 invested.

5.3 Consumer Protection

The Bank has worked to ensure the political and people-oriented nature of the financial work, pursued a customer-centric business philosophy, and attached great importance to protecting consumers' rights and interests.

During the reporting period, the Bank earnestly implemented various management requirements put forth by regulators to optimize the top-level design, steadily promote the building of the consumer protection management system, and formulate or revise a number of consumer protection-related policies. As a result, the consumer protection management system was further improved. Meanwhile, the Bank highlighted management priorities, to continuously improve various consumer protection work mechanisms such as consumer protection review, internal training, supervision and inspection, assessment and evaluation, management of cooperative institutions, and special audits. It strengthened the standardized management of complaints with the quality and efficiency of complaint handling and management further assured, while making better plans to enhance financial literacy among consumers. The Bank adopted special management measures to better protect personal information. Pursuant to the applicable laws and regulations as well as regulatory requirements in the industry, it continuously improved the relevant management policies, comprehensively optimized contract clauses and information systems and established a long-term mechanism, and conducted all-around education and training programs to effectively protect consumers' personal information security. Besides, inspection, monitoring and correction efforts were intensified in many aspects of work related to consumer protection, such as the disclosure of product and service information, management of cooperative institutions, consumer appropriateness management, and sales traceability. The Bank worked harder to take good care of elderly customers and other special groups. It actively improved the accessibility services available at business outlets, and updated various electronic channels with age-friendly design, thus making elderly customers feel more satisfied with financial services.

During the reporting period, the Bank attached great importance to and continued carrying out financial literacy activities among consumers, to raise their awareness of financial security and risk prevention. In 2022, it launched the "March 15" Consumer Protection Awareness Week in March, the "Promoting Financial Literacy and Protecting Your Money" activity in June, and the "Financial Knowledge Dissemination Month" campaign in September. A series of well-designed and innovative themed publicity activities were carried out through diversified channels. A total of 46,000 employees from over 1,600 outlets nationwide joined the awareness-raising activities. They organized over 10,690 publicity activities both online and offline, and distributed a variety of promotional materials in over 32.65 million copies accumulatively, which reached out to more than 73.87 million people. These activities covered such themes as anti-fraud, personal information protection, e-CNY, management of personal credit records and wealth management knowledge. The Bank disseminated financial knowledge through its WeChat official account, official website, and Weibo official account to help consumers boost their ability to prevent fraud and illegal fund-raising. It continued to make better use of business outlets as a stronghold for financial literacy. All 37 domestic branches set up a "public education zone" on their business premise, incorporating financial literacy improvement into the entire workflow of consumer-related operations. Given their actual work needs, many domestic branches invited new citizens, elderly customers, college students and other customer groups to attend financial knowledge salons on their business premise, in which financial basics would be explained and questions about financial products and services be answered. In the routine financial literacy activities, the Bank went out and visited villages, communities, business districts, schools and enterprises to spread financial knowledge through various forms of activities, while taking the initiative to provide door-to-door publicity campaigns and services for financial consumers and new citizens. In the meantime, the Bank worked hard to build financial education demonstration bases, and three units in Beijing, Kunming and Taiyuan were rated the financial education demonstration bases at the provincial level by the PBC.

During the reporting period, the Bank took 369,837 consumer complaints in total, which were mainly concentrated in credit card, debit card, personal loan and wealth management businesses as well as in the Yangtze River Delta, Bohai Rim, and Pearl River Delta and West Side of Taiwan Straits. The Board of Directors, the Board of Supervisors and the Senior Management of the Bank regularly listened to reports on the work done in addressing complaints across the Bank, putting forth requirements and providing guidance on key aspects of work. The lead department for complaint management continuously organized and promoted the work related to complaints across the Bank, enhanced the internal coordination of efforts to deal with complaints, and focused on the areas prone to complaints to strengthen management from the source, get complaint channels unimpeded, and standardize the complaint handling process, thus improving the quality and efficiency of complaint management continuously. The Bank attached great importance to dispute settlement, formulated and improved measures to settle disputes through diversified means, and encouraged all institutions to resolve complaints and disputes through mediation and other methods. Consequently, the total number of disputes mediated for the year increased significantly compared with the previous year, and the proportion of disputes mediated in the total disputes went up further.

Environmental and Social Responsibilities

Main business areas prone to complaints and the number and proportion of complaints in each of the areas

Business area prone to complaints	Total complaints	Proportion
Credit card	276,319	74.71%
Debit card	45,311	12.25%
Personal loan	28,643	7.74%
Wealth management	9,270	2.51%

Regions where complaints are distributed

Region	Total consumer complaints
Head Office	284,750
Yangtze River Delta Region	21,475
Bohai Rim	17,329
Pearl River Delta and West Side of Taiwan Strait	14,441
Central China	14,435
Western China	11,648
North-eastern China	5,759
Total	369,837

Note: The total number of consumer complaints at the head office includes credit card complaints and complaints at the Head Office.

5.4 Investor Relations Management

During the reporting period, the Bank kept building bridges to connect with shareholders, enhanced information transparency, improved the chain of value transmission, strengthened investor education, and better protected investors' rights and interests. In 2022, it was granted the Award for the Best Practices from Listed Companies in Annual Results Presentation for 2021 by China Association for Public Companies.

First, the Bank actively organized and held investor exchange meetings. Three results briefings were convened throughout the year, each of which followed the disclosure of a periodic report. The number of meetings, the number of participants and the number of questions answered all hit a high in recent years. To innovate the way of meeting, the Bank combined videoconferencing with online interaction in results briefings, to fully display the highlights of the Bank's development, achieve wide dissemination, and promote the entry of the ecological value chain into a virtuous cycle. At the same time, the Bank worked to ensure good communication and interaction with investors, and the Senior Management had frank and in-depth communication with investors, effectively conveying the Bank's values, strategy implementation, and progress in business transformation to the public and enhancing information transparency.

Second, the Bank maintained day-to-day communication with investors. It invited industry analysts for in-depth discussions and exchanges, received 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, inform them of its value more accurately, and create investor relations management files. Besides, there were full-time employees who answered calls from investors and interacted with them online. A special communication mechanism was established for small and medium-sized investors who have long been concerned about the Bank's development.

Third, the Bank always 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 the needs for development on the front of the Bank and investors' requirements for sharing the Bank's growth and development achievements and obtaining reasonable return on investment.

Fourth, the Bank kept improving the investor relations management system. During the reporting period, the Bank organized the revision of the Investor Relations Management Measures. During the reporting period, the Bank organized the revision of the Investor Relations Management Measures. The Chairman, President and Board Secretary of the Bank actively participated in the management of investor relations, and the Senior Management increased the information transparency of the Bank by ways such as the Shareholders' Meeting, results briefings, daily reception of visitors and visits, to establish a good image of the Bank in the capital market and foster a corporate culture serving and respecting investors.

5.5 Employee Protection

During the reporting period, the Bank continued to improve its policies systems to provide a good working environment for employees. Pursuant to the merit-based principle, it improved the ways to select and use cadres such as public selection, competition and referral. At the same time, to support employees in their career growth, the Bank accurately drew the map of career development, and prepared and released the Catalogue of Professional Qualification Certificates for Jobs at SPD Bank, which specified the qualification requirements for 23 sub-categories of jobs in 10 categories, provided guidance for employees on their career development, boosted employees' ability to perform their duties, and created a workplace atmosphere advocating "every employee would hold certificates and experts can be found in every post".

On 10 November 2022, SPD Bank convened the Third Meeting of the Third Employee Representatives' Assembly, where it listened to a number of reports, including the Report on Work of the Management (President's Office) of Shanghai Pudong Development Bank, the Report on Accountability Work across the Bank in 2021, the Report on Use of Employee Welfare Expenses in 2021 across the Bank, the Report on the Use in 2021 and the Budget in 2022 of Education and Training Expenses, the Work Report by Employee Supervisors in 2021; considered and adopted a host of policies and measures of great interest to employees, including the Collective Contract of Shanghai Pudong Development Bank (Draft), the Measures for the Management of Jobs and Ranks of Shanghai Pudong Development Bank, and the Staff Attendance and Leave Management Measures of Shanghai Pudong Development Bank; and conducted a democratic appraisal on duty performance of supervisors of the Seventh Board of Supervisors, which further protected employees' rights to information, participation, expression and supervision, safeguarding their legitimate rights and interests. Employee supervisors attached importance to expressing opinions and suggestions on behalf of the staff on rules and policies as well as major matters related to the staff's vital interests, and reported the deliberations on the proposals of the Employee Representatives' Assembly to the Board of Supervisors as required.

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Important Matters 6

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 29,352,174,170 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 2022 the Interpretation No.15 of the Accounting Standards for Business Enterprises (C.K. [2021] No.35) and the Interpretation No.16 of the Accounting Standards for Business Enterprises (C.K. [2022] No.31), 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 2022 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	592
Years for audit of the accounting firm	1 year
Consecutive years for audit of the accounting firm	4 years

In RMB10,000

	Name	Remuneration
Accounting firm for internal control audit	KPMG Huazhen LLP	151

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 or a respondent (including as a third party) had 405 pending litigation and arbitration cases, which involved an amount of RMB8,114 million.

The above litigation and arbitration matters are not expected to have a material impact on the financial position and business results of the Group and the Bank.

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 psarty transactions

According to relevant provisions in the Measures for the Administration of Related Party Transactions by Banking and Insurance Institutions issued by the CBIRC, accounting standards for business enterprises 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.

During the reporting period, the Bank implemented the provisions of regulators for the management of related party transactions, refined the related party transaction management framework, optimized the related party transaction management process, 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 good faith, openness and fairness, penetrating identification, and clear structure, 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	RMB3.3 billion	0.59%	The 36th Meeting of the Seventh Board of Directors	Shanghai International Trust Co., Ltd. was granted a comprehensive credit line of RMB3.3 billion with a maturity date of 21 February 2023.	The transaction was negotiated on an arm's length basis, followed commercial principles, and was priced on terms no better than those for similar transactions with unrelated parties
SPDB Financial Leasing Co., Ltd.		RMB19.3 billion	3.45%		SPDB Financial Leasing Co., Ltd. was granted a comprehensive credit line of RMB19.3 billion with a maturity date of 25 January 2023.	
SPDB International Holdings Limited		HKD9 billion	1.79%		It was agreed to grant a comprehensive credit line of HKD9 billion to SPDB International Holdings Limited with a maturity date of 10 January 2023.	
Haitong Securities Co., Ltd.		RMB21.5 billion	3.84%		Haitong Securities Co., Ltd. was granted a comprehensive credit line of RMB21.5 billion with a maturity date of 10 March 2023.	
Bank of China Consumer Finance Company Limited		RMB4 billion	0.71%	The 37th Meeting of the Seventh Board of Directors	Bank of China Consumer Finance Company Limited was granted a comprehensive credit line of RMB4.0 billion with a maturity date of 14 July 2022.	

Important Matters

Counterparty	Transaction type	Amount	Percentage of the Bank's net assets	Meeting at which the transaction was approved	Main contents of transactions	Pricing principle
China Mobile Communications Group Co., Ltd.		RMB9 billion	1.61%	The 40th Meeting of the Seventh Board of Directors	China Mobile Communications Group Co., Ltd. was granted a credit line of RMB9 billion with a term of 1 year.	
Bailian Group Co., Ltd.		RMB12 billion	2.14%	The 41st Meeting of the Seventh Board of Directors	Bailian Group Co., Ltd. was granted a credit line of RMB12 billion with a term of 1 year.	
Orient Securities Co., Ltd.		RMB19.5 billion	3.48%		Orient Securities Co., Ltd. was granted a credit line of RMB19.5 billion with a term of 1 year.	
Guotai Junan Securities Co., Ltd.		RMB24.6 billion	4.39%	The 42nd Meeting of the Seventh Board of Directors	Guotai Junan Securities Co., Ltd. was granted a comprehensive credit line of RMB24.6 billion with a term of 1 year.	
Bank of China Consumer Finance Company Limited		RMB4 billion	0.71%		Bank of China Consumer Finance Company Limited was granted a credit line of RMB4 billion.	
Shenergy Group Co., Ltd.		RMB25 billion	4.46%		Shenergy Group Co., Ltd. was granted a comprehensive credit line of RMB25 billion with a term of 1 year.	
China Eastern Airlines Group Co., Ltd.		RMB27 billion	4.82%		China Eastern Airlines Group Co., Ltd. was granted a comprehensive credit line of RMB27 billion with a term of 1 year.	
China National Tobacco Corporation		RMB27 billion	4.82%		China National Tobacco Corporation was granted a comprehensive credit line of RMB27 billion with a maturity date of 13 May 2023.	
Shanghai International Group Co., Ltd.		RMB19.79 billion	3.53%	The 43rd Meeting of the Seventh Board of Directors	Shanghai International Group Co., Ltd. was granted a comprehensive credit line of RMB19.79 billion with a term of 1 year.	
Shanghai Jiushi (Group) Co., Ltd.		RMB24.5 billion	4.37%	The 46th Meeting of the Seventh Board of Directors	Shanghai Jiushi (Group) Co., Ltd. was granted a comprehensive credit line of RMB24.5 billion with a term of 1 year.	

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 of related party transaction	Amount of related party transaction (RMB)	Percentage of the Bank's net assets
Shenergy Group Co., Ltd.	Shenergy Group Finance Co., Ltd.	Credit extension	RMB1 billion	0.179%
Shanghai Jiushi (Group) Co., Ltd.	Shanghai Jiushi Sports Event Operation Management Co., Ltd.	Credit extension	RMB80 million	0.014%
Shanghai Jiushi (Group) Co., Ltd.	Shanghai Jiushi Sports Asset Management Co., Ltd.	Credit extension	RMB1.5 billion	0.268%
Bailian Group Co., Ltd.	Shanghai Bailian Group Co., Ltd	Credit extension	RMB1.5 billion	0.268%
Shanghai Jiushi (Group) Co., Ltd.	Shanghai Jiushi (Group) Co., Ltd.	Credit extension	RMB3.2 billion	0.571%
Shanghai Jiushi (Group) Co., Ltd.	China Eastern Airlines Co., Ltd.	Credit extension	RMB10.46 billion	1.868%
China National Tobacco Corporation Jiangsu Company	China National Tobacco Corporation	Credit extension	RMB1.13677 billion	0.203%
Funde Sino Life Insurance Co., Ltd.	Funde Resources Investment Holding Group Co., Ltd.	Credit extension	HKD509 million	0.077%
Bailian Group Co., Ltd.	Shanghai Bailian Group Co., Ltd	Credit extension	RMB1.5 billion	0.268%
Shanghai International Group Co., Ltd.	Guotai Junan Securities Co., Ltd.	Receipt of services	RMB0.495 million	0.0001%
Shanghai International Group Co., Ltd.	Guotai Junan Risk Management Co., Ltd.	Credit extension	RMB350 million	0.063%
China Mobile Communication Group Guangdong Limited	China Mobile Online Services Co., Ltd.	Credit extension	RMB40 million	0.007%
Bailian Group Co., Ltd.	Bailian Group Co., Ltd.	Credit extension	RMB2.32 billion	0.414%
Funde Sino Life Insurance Co., Ltd.	Ningbo Funde Energy Co., Ltd.	Credit extension	RMB600 million	0.107%
Bailian Group Co., Ltd.	Bailian Group Co., Ltd.	Credit extension	RMB3.8 billion	0.679%
Shenergy Group Co., Ltd.	Shenergy Group Co., Ltd.	Credit extension	RMB4 billion	0.714%
Shenergy Group Co., Ltd.	Shenergy Group Co., Ltd.	Credit extension	RMB3.5 billion	0.625%
Bailian Group Co., Ltd.	Shanghai Securities Co., Ltd.	Credit extension	RMB4.7 billion	0.839%
Shenergy Group Co., Ltd.	Shanghai Gas Co., Ltd.	Credit extension	RMB2 billion	0.357%
Shenergy Group Co., Ltd.	Shanghai Shenergy Financial Leasing Co., Ltd.	Credit extension	RMB4 billion	0.714%

Important Matters

(Expressed in millions of RMB unless otherwise stated)

6.9.4 Related natural persons and transaction balance

Related natural persons of the Bank include its Directors, Supervisors, Senior Management members of both the Head Office and the branches, persons with authority to decide on or participate in credit extension, asset transfer and provide (purchase) services and their close relatives, as well as directors, supervisors, senior management members and the like of the Bank's related legal entities (substantial shareholders).

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

	End of the reporting period
Number of related natural persons (ten thousand)	2.53
Balance of related party transactions	3,113.58

6.9.5 Material 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

None.

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, the Bank advanced the equity transfer of China International Fund Management Co., Ltd. in a steady and orderly manner.

Since April 2018, the CSRC has gradually eased the restriction on the shareholding ratio of foreign companies in joint venture fund management companies. In this context, J.P. Morgan Asset Management Holdings, Inc. ("J.P. Morgan Asset Management") proposed to the Bank and its holding subsidiary Shanghai International Trust Co., Ltd. ("Shanghai Trust", in which the Bank holds 97.33% of its shares) acquiring 2% and 49% of the shares they held in China International Fund Management Co., Ltd. ("CIFM"), respectively. 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 in compliance with regulatory requirements and the Articles of Association based on the principle of mutual benefits.

On 19 January 2023, the CSRC issued the Reply to Approve the Change of Shareholders and De Facto Controllers of China International Fund Management Co., Ltd. (ZH.J.X.K [2023] No.151), approving J.P. Morgan Asset Management to become the substantial shareholder of CIFM, approving JP Morgan Chase & Co. to become the de facto controller of CIFM, and expressing no objection to the legal transfer of the capital contribution of RMB250 million (100% of the registered capital) in CIFM to J.P. Morgan Asset Management. For details of relevant matters, please refer to the Bank's announcement dated 20 January 2023.

On 24 March 2023, the change in the shareholding of CIFM was registered with Shanghai Municipal Market Supervision Administration.

On 3 April 2023, Shanghai United Assets and Equity Exchange (SUAEE) remitted the equity transfer fund of CIFM worth RMB7.241 billion to the special collection account of Shanghai Trust, which marked the equity transfer equity was completed. For details of relevant matters, please refer to the Bank's announcement dated 5 April 2023.


浦发银行 SPD BANK 杭州分行 Hangzhou Branch
LEAPMOTOR 零跑汽车
浦发银行 零跑汽车
新车贷正式上线
选择零跑汽车&浦发银行
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7 Changes of Shares & Shareholders

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	29,352,168,006	100	6,164	–	29,352,174,170	100
2. Others	–	–	–	–		
II. Total ordinary shares	29,352,168,006	100	6,164	–	29,352,174,170	100

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	210,944
Total number of ordinary shareholders as at the end of the month before the annual report disclosure day	211,836
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

Name of shareholder	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	-	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	+126,236,428	656,749,892	2.24	-	-	Overseas legal person
Central Huijin Asset Management Ltd.	-	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.

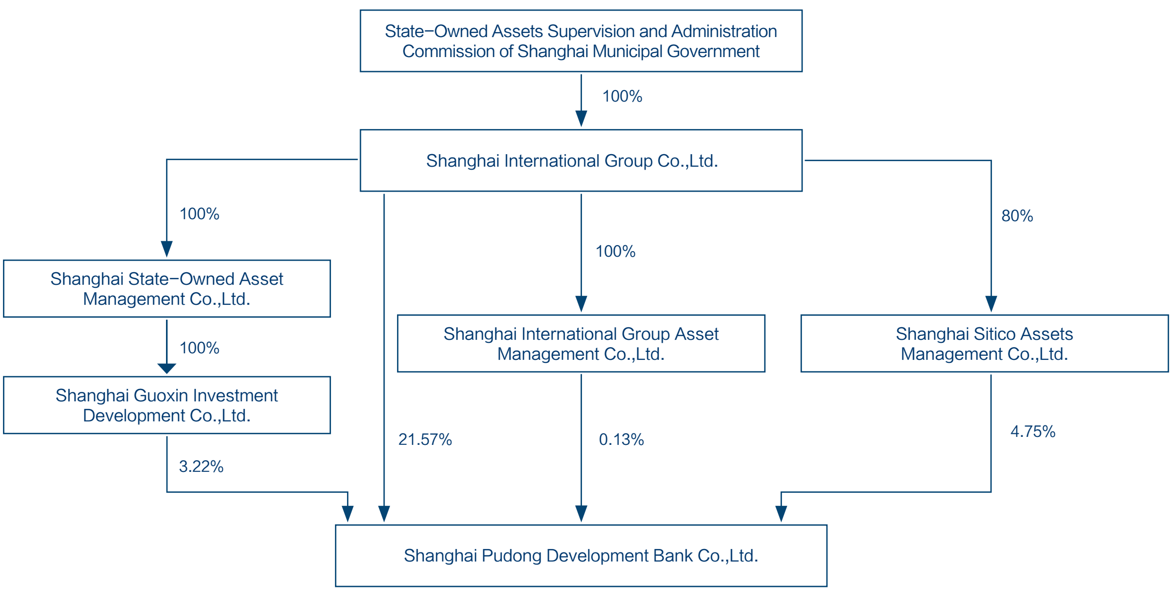
The largest consolidated shareholder of the Bank was Shanghai International Group Co., Ltd., which was not changed during the reporting period. As at the end of the reporting period, Shanghai International Group Co., Ltd. and its controlled subsidiaries held 29.67% shares of the Bank on a consolidated 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. There is no pledge of the shares held by the company.

Shanghai SASAC is the sole shareholder, de facto controller, and ultimate beneficiary of Shanghai International Group Co., Ltd. As at the end of the reporting period, Shanghai International Group Co., Ltd. nominated two directors to the Bank, which included one in-office director, Guan Wei, and one to-be-appointed director, Liu Xinyi.

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



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. There is no pledge of the shares held by the company.

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. There is no pledge of the shares held by the company. 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. As at the end of the reporting period, China Mobile Communications Co., Ltd. nominated three directors to the Bank, which included one in-office director, Zhang Dong, and two to-be-appointed directors, Zhu Yi and Bo Jingang.

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

Changes of Shares and Shareholders

representative is Liu Genfu. Its unified social credit code is 91320000134755468W. Business scope: Licensed items cover the wholesale of monopolized tobacco commodities and the wholesale of electronic cigarettes. General items cover asset management services for investment with proprietary funds; investment activities with proprietary funds; business administration; house leasing; and non-residential real estate 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. There is no pledge of the shares held by the company. 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. There is no pledge of the shares held by the company.

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, and 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. directly 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. There is no pledge of the shares held by the company.

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 Julian Group Limited directly held 92,668,281 shares of the Bank, accounting for 0.32% of its total. It, together with the person acting in concert Shenergy Group Limited, held 162,716,263 shares of the Bank, accounting for 0.55% of its total. There is no pledge of the shares held by the company. In addition to ordinary shares, Shanghai Jiulian Group Limited also held 512,170 convertible bonds of the Bank, accounting for 0.10%.

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.

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8 Overview of Preference Shares

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	06 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	32
	360008	SPDB P 2	16
Total number of shareholders of preference shares at the end of the month before the date of annual report disclosure	360003	SPDB P 1	32
	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

Number of shares

Name of shareholder	Number of shares held at the end of the period	Percentage (%)	Class of shares held	Pledged/ frozen	Nature of shareholder
Hwabao Trust Co., Ltd. – Baofu Investment No. 1 Collective Fund Trust Plan	18,004,545	12.00	Domestic preference shares	–	Others
BNB Wealth Management Co., Ltd. – Ningxin Series of Wealth Management Products	13,540,000	9.03	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
China Ping An Life Insurance Co., Ltd. – Universal – Individual Universal Insurance	11,470,000	7.65	Domestic preference shares	–	Others
China Ping An Life Insurance Company Limited – Dividend – Dividends for Individual Insurance	11,470,000	7.65	Domestic preference shares	–	Others
Ping An Property & Casualty Insurance Company of China Ltd. – Conventional – 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. – Dividends for Individual Insurance – 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 preference shares and between the above shareholders and the top ten shareholders of ordinary shares, and whether they are persons acting in concert	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. 2. Ping An Life Insurance of China – Universal – Universal Individual Insurance, Ping An Life Insurance of China – Dividend – Dividends for Individual Insurance, Ping An Property & Casualty Insurance Company of China Ltd. – Conventional – 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.

Overview of Preference Shares

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 – Conventional – Ordinary Insurance Product – 008C – CT001 Hu	34,880,000	23.25	Domestic preference shares	–	Others
China Ping An Life Insurance Company Limited – Dividend – Dividends for Individual Insurance	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
China Ping An Life Insurance Co., Ltd. – Universal – Individual Universal 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. – Conventional – 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
BNB Wealth Management Co., Ltd. – Ningxin Series of Wealth Management Products	5,460,000	3.64	Domestic preference shares	–	Others
Sun Life Everbright Asset Management – Sun Life Everbright Assets Juyou No. 2 Equity Asset Management Product	5,000,000	3.33	Domestic preference shares	–	Others

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 – Dividend – Dividends for Individual Insurance, Ping An Life Insurance of China – Self-owned Funds, Ping An Life Insurance of China – Universal – Universal Individual Insurance, 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.

(Expressed in millions of RMB unless otherwise stated)

8.3 Distribution of Dividends on Preference Shares

8.3.1 Distribution of dividends on preference shares during the reporting period

On 26 February 2022, 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 2022, and the ex-dividend date is 10 March 2022. The start date of interest accrual for dividend distribution is 11 March 2021 and the date of dividend distribution is 11 March 2022. 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 19 November 2022, 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 2022, and the ex-dividend date is 2 December 2022. The start date of interest accrual for dividend distribution is 5 December 2021 and the date of dividend distribution is 5 December 2022. 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

Year	Distribution amount of dividends on preference shares	Remarks
2022	15.585	Dividend distribution of SPDB P 1 and SPDB P 2
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

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.

Overview of Preference Shares

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. [2014] No.564), 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.

Bonds 9

Bonds

9.1 Information on 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	32,897	
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))	5,137,673,000	10.28
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	3,984,841,000	7.97
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	2,831,046,000	5.66
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China (BOC))	2,665,131,000	5.33
Specific account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China (ABC))	2,455,511,000	4.91
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank (CCB))	2,386,487,000	4.77
Special account for collateralized bond repurchase in the securities depository and clearing system (China CITIC Bank)	1,544,502,000	3.09
Special account for collateralized bond repurchase in the securities depository and clearing system (China Everbright Bank)	1,048,900,000	2.10
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of Communications (BoCom))	905,959,000	1.81

9.1.3 Changes in convertible bonds during the reporting period

As at 31 December 2022, a total of RMB 1,376,000 of SPDB Convertible Bonds had been converted into ordinary shares of the Bank, and the cumulative number of converted shares was 93,773, 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 RMB49,998,624,000, accounting for 99.9972% 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	49,998,710,000	86,000	–	–	49,998,624,000

Amount of conversion during the reporting period (RMB)	86,000
Number of converted shares during the reporting period (share)	6,164
Accumulated converted shares (share)	93,773
Percentage of accumulative converted shares of total outstanding shares prior to conversion (%)	0.0003
Amount of unconverted convertible bonds (RMB)	49,998,624,000
Proportion of unconverted convertible bonds to total issued convertible bonds (%)	99.9972

9.1.4 Previous adjustments of conversion price

The Bank distributed profit for ordinary A shares for 2021 on 21 July 2022. 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 RMB13.97 per share to RMB13.56 per share as of 21 July 2022 (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
RMB13.97 per share	RMB13.56 per share	13 July 2022	China Securities Journal, Shanghai Securities News, Securities Times, SSE website, the Bank's website	Adjusted due to profit distribution

Bonds

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

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 27 June 2022, 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

Over the period from 21 January 2022 to 25 January 2022, the Bank finished issuing the 2022 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 RMB30 billion, with a coupon rate of 2.69%, the start date of interest accrual of 25 January 2022 and the maturity date of 25 January 2025. These bonds could be divided into two types. In the first type are the general financial bonds (bond abbreviation: 22 SPD Bank 01, bond code: 2228007) with a size of RMB25 billion. All funds raised by the bonds would 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 approval of regulators. The use of proceeds shall be consistent with the prospectus. In the second type are the real estate project M&A bonds (bond abbreviation: 22 SPD Bank 02, bond code: 2228008) with a size of RMB5 billion. These bonds were the first real estate project M&A bonds issued by a financial institution in the market. The funds raised would be used for real estate project M&A loans in accordance with the applicable laws and upon regulatory approval. The use of proceeds shall be consistent with the prospectus.

Over the period from 24 February 2022 to 1 March 2022, the Bank finished issuing the 2022 Tranche 2 Financial Bonds (bond abbreviation: 22 SPD Bank 03, bond code: 2228015) 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 RMB30 billion, with a coupon rate of 2.78%, the start date of interest accrual of 1 March 2022 and the maturity date of 1 March 2025. All funds raised by the bonds were 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 approval of regulators. The use of proceeds shall be consistent with the prospectus.

Over the period from 9 November 2022 to 11 November 2022, the Bank finished issuing the 2022 Tranche 3 Financial Bonds (bond abbreviation: 22 SPD Bank 04, bond code: 2228057) 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 RMB30 billion, with a coupon rate of 2.45%, the start date of interest accrual of 11 November 2022 and the maturity date of 11 November 2025. All funds raised by the bonds were 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 approval of regulators. The use of proceeds shall be consistent with the prospectus.

10 Financial Report

Financial Report

10.1 2022 Financial Statements and Auditor's Report Prepared Based on ASBE (See the Appendix)

10.2 2022 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:

Profit in the reporting period	Return on equity (%)		Earnings per share (RMB)	
	Fully diluted	Weighted average	Basic	Fully diluted
Net profit attributable to the parent company's ordinary shareholders	7.79	7.98	1.56	1.44
Net profit attributable to the parent company's ordinary shareholders deducting the non-recurring profit or loss	7.73	7.92	1.55	1.43

11 Catalogue of Documents for Reference

Catalogue of Documents for Reference

11.1 Accounting Statements Bearing Signatures and Stamps of the Legal Representative, the President, Vice President in Charge of Financial Work Temporarily 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 2022 Internal Control Assessment Report of the Bank and 2022 Corporate Social Responsibility Report of the Bank

Chairman: Zheng Yang
Board of Directors of Shanghai Pudong Development Bank Co., Ltd.
17 April 2023

AUDITOR'S REPORT

KPMG Huazhen Shenzi NO. 2304803

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 147 to 269, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2022, the consolidated and the Bank's statement of profit or loss, 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 relevant notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the consolidated and the Bank's financial position as at 31 December 2022 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. 2304803

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, forward-looking information adjustment and other adjustment factors, and evaluating the reasonableness of key management jugments involved. • 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. 2304803

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 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, economic scenarios and their respective weightings for forward-looking information.	• 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. 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)

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 capital 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. 2304803

Key audit matters (continued)

Consolidation of structured entities	
Refer to Notes III.4 and VII to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
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.	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;

Key audit matters (continued)

Consolidation of structured entities (continued)

Refer to Notes III.4 and VII to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
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.	• 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.

AUDITOR'S REPORT (continued)
KPMG Huazhen Shenzi NO. 2304803

Key audit matters (continued)

Assessment of the fair value of financial instruments

Refer to Notes III.8, III.23, III.33 described in the accounting policies, and XII.4 to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Financial instruments carried at fair value account for a significant part of the Group's assets/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. 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.	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.

Other Information

Management is responsible for the other information. The other information comprises all the information included in the 2022 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.

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

AUDITOR'S REPORT (continued)
KPMG Huazhen Shenzi NO. 2304803

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.

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

17 April 2023

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Balance Sheets
as at 31 December 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Assets					
Cash and balances with central bank	V.1	457,089	420,996	452,719	416,110
Deposits with banks and other financial institutions	V.2	168,169	125,836	157,910	115,463
Placements with banks and other financial institutions	V.3	352,434	307,945	358,862	309,958
Precious metals		14,988	13,151	14,988	13,151
Derivative financial assets	V.4	42,829	33,773	42,770	33,756
Financial assets purchased under resale agreements	V.5	111,411	117	111,411	101
Loans and advances to customers	V.6	4,798,350	4,690,954	4,695,040	4,594,234
Financial investments:	V.7				
- Trading assets		708,984	526,034	636,751	487,998
- Debt investments		1,196,691	1,306,188	1,193,150	1,304,324
- Other debt investments		641,918	479,619	633,808	475,294
- Other equity investments		7,870	7,082	7,870	7,082
Long-term equity investments	V.8	2,655	2,819	31,626	26,820
Fixed assets	V.9	37,157	31,487	14,721	11,722
Construction in process		5,250	7,221	4,471	6,586
Right-of-use assets	V.10	8,022	8,560	7,495	8,118
Intangible assets	V.11	10,349	10,538	8,036	8,239
Goodwill	V.12	6,981	6,981	-	-
Deferred income tax assets	V.13	68,690	58,962	66,867	57,542
Other assets	V.14	64,814	98,494	57,255	92,763
Total assets		8,704,651	8,136,757	8,495,750	7,969,261

The notes on pages 147 to 269 attached form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Balance Sheets (continued)
as at 31 December 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Liabilities and equity					
Liabilities					
Borrowing from central bank		165,133	236,317	164,427	235,223
Deposits from banks and other financial institutions	V.16	770,338	924,078	783,068	932,551
Placements from banks and other financial institutions	V.17	256,462	182,697	168,894	102,727
Trading liabilities	V.18	94,781	31,280	87,776	19,954
Derivative financial liabilities	V.4	37,526	29,528	37,525	29,507
Financial assets sold under repurchase agreements	V.19	350,168	174,219	304,949	170,038
Deposits from customers	V.20	4,893,812	4,463,608	4,861,357	4,431,975
Employee benefits payable	V.21	12,672	14,865	10,764	13,068
Taxes payable	V.22	32,213	30,429	31,067	28,905
Debt securities issued	V.23	1,330,304	1,317,121	1,319,856	1,303,891
Deferred income tax liabilities	V.13	641	638	–	–
Lease liabilities	V.10	7,832	8,451	7,293	7,993
Provisions	V.24	6,230	6,275	6,228	6,272
Other liabilities	V.25	39,764	39,033	33,004	32,806
Total liabilities		7,997,876	7,458,539	7,816,208	7,314,910
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	81,762	81,712	81,712
Other comprehensive income	V.29	(3,053)	2,821	(3,007)	2,849
Surplus reserves	V.30	174,385	159,292	174,385	159,292
General risk reserve	V.31	99,515	90,993	93,500	89,000
Retained earnings	V.32	203,220	193,096	190,909	179,455
Equity attributable to the shareholders of the Bank		697,872	670,007	679,542	654,351
Minority interests		8,903	8,211	–	–
Total equity		706,775	678,218	679,542	654,351
Total liabilities and equity		8,704,651	8,136,757	8,495,750	7,969,261

These financial statements were approved for issue by the Board of Directors of the Bank on 17 April 2023.

Chairman of the board of the directors: Zheng Yang

President: Pan Weidong

Vice President temporarily in charge of financial work: Liu Yiyan

Head of the finance and accounting department: Li Lianquan

The notes on pages 147 to 269 attached form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Income Statements
For the year ended 31 December 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2022	2021	2022	2021
Operating income		188,622	190,982	177,160	180,380
Interest income		299,520	300,693	293,781	295,132
Interest expense		(165,851)	(164,735)	(162,810)	(161,564)
Net interest income	V.33	133,669	135,958	130,971	133,568
Fee and commission income		37,766	39,847	33,308	35,488
Fee and commission expense		(9,075)	(10,713)	(10,860)	(10,778)
Net fee and commission income	V.34	28,691	29,134	22,448	24,710
Investment income	V.35	19,877	17,297	19,208	16,238
Including: Income from joint ventures and associates		*230*	*223*	*198*	*190*
Gain or loss from derecognition of financial assets at amortized cost		*2,683*	*1,010*	*2,683*	*1,010*
Other income		651	856	226	179
Gains or losses from change of fair value	V.36	(3,854)	4,504	(2,537)	4,599
Foreign exchange gains	V.37	6,692	813	6,648	810
Other operating income		2,812	2,394	184	250
Gains or losses on disposal of assets		84	26	12	26
Operating expense		(132,349)	(131,777)	(125,811)	(125,777)
Taxes and surcharges		(2,059)	(2,004)	(1,953)	(1,922)
General and administrative expenses	V.38	(52,607)	(49,978)	(49,112)	(46,549)
Impairment on credit losses	V.39	(75,952)	(78,331)	(74,636)	(77,175)
Impairment losses on other assets		(47)	(13)	(38)	(13)
Other operating expenses		(1,684)	(1,451)	(72)	(118)
Operating profit		56,273	59,205	51,349	54,603
Add: Non-operating income		76	103	69	93
Less: Non-operating expenses		(200)	(237)	(193)	(203)
Profit before income tax		56,149	59,071	51,225	54,493
Less: Income tax expense	V.40	(4,152)	(5,305)	(2,746)	(4,184)
Net profit for the year		51,997	53,766	48,479	50,309
1. Classification according to the ability of operation contiuation					
- Continued operation net profit		51,997	53,766	48,479	50,309
- Discontinued operation net profit		–	–	–	–
2. Classification according to shareholders					
- Shareholders of the Bank		51,171	53,003	48,479	50,309
- Minority interests		826	763	–	–

The notes on pages 147 to 269 attached 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 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2022	2021	2022	2021
Other comprehensive income after tax	V.29	(5,869)	(1,153)	(5,901)	(500)
Other comprehensive income attributes to shareholders of the parent company, after tax		(5,919)	(1,155)	(5,901)	(500)
Items that may be reclassified to profit or loss		(5,862)	(1,183)	(5,844)	(528)
– Other comprehensive income recognised under equity method		–	1	–	1
– Changes in fair value of other debt investments		(8,145)	(440)	(7,715)	(102)
– Credit impairment allowance of other debt investments		1,959	(664)	1,915	(439)
– Cash flow hedge reserve		(11)	20	(24)	5
– Translation differences arising from translation of foreign currency financial statements		335	(100)	(20)	7
Item that will not be reclassified to profit or loss		(57)	28	(57)	28
– Changes in fair value of other equity investments		(57)	28	(57)	28
Other comprehensive income attributes to minority interests, after tax		50	2	–	–
Total comprehensive income		46,128	52,613	42,578	49,809
Attributable to: – Shareholders of the Bank		45,252	51,848	42,578	49,809
– Minority interests		876	765	–	–
Earnings per share (Expressed in RMB)	V.41				
Basic earnings per share attributable to the shareholders of the Bank		1.56	1.62		
Diluted earnings per share attributable to the shareholders of the Bank		1.44	1.50		

The notes on pages 147 to 269 attached 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 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2022	2021	2022	2021
Cash flows from operating activities					
Net increase in deposits from customers and deposits from banks and other financial institutions		269,218	68,864	272,626	67,720
Net increase in placements from banks and other financial institutions		73,436	86	65,868	–
Net increase in repurchase activities		175,885	–	134,847	–
Net decrease in deposits with banks and central bank		–	4,645	–	5,573
Net decrease in resale activities		66	–	67	–
Cash received from interest		253,038	248,518	245,166	241,904
Cash received from fee and commissions		39,973	42,486	35,219	38,007
Cash received from other operating activities		102,486	63,190	105,461	59,692
Subtotal of cash inflows		914,102	427,789	859,254	412,896
Net increase in loans and advances to customers		(172,136)	(324,198)	(164,255)	(318,587)
Net increase in deposits with banks and central bank		(2,055)	–	(1,083)	–
Net increase in financial assets held for trading		(17,072)	(5,512)	(30,444)	(600)
Net increase in placements with banks and other financial institutions		(76,438)	(48,709)	(77,963)	(47,331)
Net decrease in placements from banks and other financial institutions		–	–	–	(14,260)
Net decrease in repurchase activities		–	(58,097)	–	(55,357)
Net reduction in borrowing from central banks		(70,174)	(37,284)	(69,784)	(36,997)
Net increase in resale activities		–	(57)	–	(58)
Cash paid for interest		(120,011)	(113,391)	(117,417)	(110,780)
Cash paid for fee and commission		(9,838)	(11,484)	(11,527)	(11,498)
Cash paid to and on behalf of employees		(31,310)	(27,645)	(28,964)	(25,460)
Cash paid for taxes		(28,613)	(26,804)	(24,983)	(24,496)
Cash paid for other operating activities		(21,356)	(31,800)	(18,487)	(28,517)
Subtotal of cash outflows		(549,003)	(684,981)	(544,907)	(673,941)
Net cash flows generated from / (used in) operating activities	V.43	365,099	(257,192)	314,347	(261,045)

The notes on pages 147 to 269 attached 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 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2022	2021	2022	2021
Cash flows from investing activities					
Redemption of investment securities		1,709,002	1,556,457	1,702,286	1,552,560
Cash received from investment income		66,212	73,018	64,672	72,096
Cash received from other investing activities		539	425	421	130
Subtotal of cash inflows		1,775,753	1,629,900	1,767,379	1,624,786
Purchase of investment securities		(1,938,078)	(1,575,875)	(1,881,326)	(1,575,192)
Cash paid to purchase fixed assets, intangible assets and other long-term assets		(7,999)	(11,285)	(4,051)	(5,595)
Subtotal of cash outflows		(1,946,077)	(1,587,160)	(1,885,377)	(1,580,787)
Net cash flows (used in) / generated from investing activities		(170,324)	42,740	(117,998)	43,999
Cash flows from financing activities					
Proceeds from insurance of bonds and deposit certificates		1,192,526	1,346,368	1,191,019	1,341,374
Subtotal of cash inflows		1,192,526	1,346,368	1,191,019	1,341,374
Repayment of debt securities issued		(1,179,731)	(1,170,787)	(1,175,479)	(1,165,786)
Cash paid for dividends and interest of debt securities issued		(56,410)	(57,392)	(55,744)	(56,684)
Payment for other financing activities		(3,087)	(3,324)	(3,077)	(3,191)
Subtotal of cash outflows		(1,239,228)	(1,231,503)	(1,234,300)	(1,225,661)
Net cash flows (used in) / generated from financial activities		(46,702)	114,865	(43,281)	115,713
Effect of exchange rate changes on cash and cash equivalents		8,105	(2,905)	7,601	(3,730)
Net increase / (decrease) in cash and cash equivalents	V.43	156,178	(102,492)	160,669	(105,063)
Add: Cash and cash equivalents at the beginning of the year	V.42	216,126	318,618	207,552	312,615
Cash and cash equivalents at the end of the year	V.42	372,304	216,126	368,221	207,552

The notes on pages 147 to 269 attached 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 2022
(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	Subtota	Minority interests	Total
Balance at 1 January 2022		29,352	112,691	81,762	2,821	159,292	90,993	193,096	670,007	8,211	678,218
Changes in equity during the year											
Net profit		–	–	–	–	–	–	51,171	51,171	826	51,997
Other comprehensive income	V.29	–	–	–	(5,919)	–	–	–	(5,919)	50	(5,869)
Profit appropriation											
– Appropriation to surplus reserves	V.30	–	–	–	–	15,093	–	(15,093)	–	–	–
– Appropriation to general risk reserves	V.31	–	–	–	–	–	8,522	(8,522)	–	–	–
– Cash dividends to paid to ordinary shareholders	V.32	–	–	–	–	–	–	(12,034)	(12,034)	–	(12,034)
– 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)
Internal transfer in equity											
– Transfer of other comprehensive income to retained earnings		-	-	-	45	-	-	(45)	-	-	-
Dividends of subsidiaries		–	–	–	–	–	–	–	–	(184)	(184)
Balance at 31 December 2022		29,352	112,691	81,762	(3,053)	174,385	99,515	203,220	697,872	8,903	706,775

The notes on pages 147 to 269 attached form part of these financial statements.

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

		Equity attributable to the shareholder of Bank									
	Note	Share capita	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Subtota	Minority interests	Total
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 147 to 269 attached form part of these financial statements.

(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 2022		29,352	112,691	81,712	2,849	159,292	89,000	179,455	654,351
Changes in equity during the year									
Net profit		–	–	–	–	–	–	48,479	48,479
Other comprehensive income	V.29	–	–	–	(5,901)	–	–	–	(5,901)
Profit appropriation									
– Appropriation to surplus reserves	V.30	–	–	–	–	15,093	–	(15,093)	–
– Appropriation to general risk reserves	V.31	–	–	–	–	–	4,500	(4,500)	–
– Cash dividends to paid to ordinary shareholders	V.32	–	–	–	–	–	–	(12,034)	(12,034)
– Cash dividends to paid to preference shareholders	V.32	–	–	–	–	–	–	(1,559)	(1,559)
– Interests payment of perpetual bond	V.32	–	–	–	–	–	–	(3,794)	(3,794)
Internal transfer in equity									
– Transfer of other comprehensive income to retained earnings		–	–	–	45	–	–	(45)	–
Balance at 31 December 2022		29,352	112,691	81,712	(3,007)	174,385	93,500	190,909	679,542

The notes on pages 147 to 269 attached 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 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 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 147 to 269 attached 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, trust services and wealth management business 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 2022, 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.

Business combinations involving entities under common control

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.

Subsidiaries acquired through a business combination

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.

Disposal of subsidiaries

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.

Changes in non-controlling interests

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.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Group 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.

(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

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 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.

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11 Convertible instruments

Convertible instruments containing an equity component

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 perpetual bonds with unfixed terms

At initial recognition, the Group classifies the preference shares, perpetual bond issued 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 bond issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and perpetual bond issued 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 bond issued 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 bond are 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.

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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.

-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

Expenditures incurred with a beneficial period of over one year are recognised as long-term deferred expenses. Long-term deferred expenses are stated in the statement of financial position at cost less accumulated amortisation and impairment losses.

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 when employees provide services, the amount accrued or paid by employees shall be recognized as a liability, and included in the current profit and loss or related asset costs.

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 Measurement 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, and estimate the recoverable amount of the asset group or combination of asset groups. Information of impairment tests on the Group's goodwill is set out in Note V.12.

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 2022, the Group implemented the relevant provisions and guidelines of the Enterprise Accounting Standards issued by the Ministry of Finance in recent years, mainly including:

- "Accounting for selling outputs that are produced before fixed assets are available for intended use or produced in the course of research and development" in CAS Bulletin No.15 (Caikuai [2021] No.35);

-"Determining whether a contract is onerous" in CAS Bulletin No.15;

- "Accounting for the income tax consequences of dividends on financial instruments classified as equity instruments by the issuer" in CAS Bulletin No.16 (Caikuai [2022] No.31); and

- "Accounting for the modification of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled" in CAS Bulletin No.16.

The adoption of the above regulations did not have a significant impact on the financial condition and operating results of the Group.

(Expressed in millions of RMB unless otherwise stated)

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

	Note	The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Cash		5,544	5,470	5,403	5,338
Statutory reserves with central bank	(1)	345,351	339,973	343,433	338,268
Surplus reserves with central bank	(2)	105,479	73,454	103,168	70,405
Fiscal deposits with central bank		544	1,939	544	1,939
Accrued interest		171	160	171	160
Total		457,089	420,996	452,719	416,110

(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 2022	31 December 2021	31 December 2022	31 December 2021
Deposits with domestic banks	108,385	71,746	98,389	62,787
Deposits with overseas banks	58,737	53,693	58,532	52,517
Deposits with domestic non-bank financial institutions	906	255	906	68
Accrued interest	382	326	296	246
Less: impairment allowance	(241)	(184)	(213)	(155)
Total	168,169	125,836	157,910	115,463

As at 31 December 2022 and 31 December 2021, the Group's due from banks and other financial institutions included refundable deposits and risk reserves, and were restricted in usage.

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3 Placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Placements with domestic banks	28,367	24,726	28,367	24,726
Placements with overseas banks	38,714	70,276	38,714	70,276
Placements with domestic non-bank financial institutions	282,110	201,157	288,456	201,637
Placements with overseas non-bank financial institutions	80	8,188	134	9,718
Accrued interest	3,491	3,736	3,517	3,739
Less: impairment allowance	(328)	(138)	(326)	(138)
Total	352,434	307,945	358,862	309,958

4 Derivative financial instruments

The Group	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	3,889,642	12,374	(9,973)
Exchange rate derivatives	1,882,807	21,145	(23,554)
Precious metal and other derivatives	332,377	9,310	(3,999)
Total		42,829	(37,526)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	12,048	545	(100)
- Currency swap contracts	-	-	-
Cash flow hedges			
- Interest rate swap contracts	627	34	-
- Currency swap contracts	20,788	134	(148)
Total		713	(248)

(Expressed in millions of RMB unless otherwise stated)

	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 and other derivatives	209,031	2,782	(1,070)
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)

The Bank	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	3,889,015	12,340	(9,989)
Exchange rate derivatives	1,880,130	21,120	(23,537)
Precious metal and other derivatives	332,377	9,310	(3,999)
Total		42,770	(37,525)
Derivatives designated as hedging instruments:			
Fair value hedges			
– Interest rate swap contracts	12,048	545	(100)
– Currency swap contracts	–	–	–
Cash flow hedges			
– Currency swap contracts	18,111	109	(131)
Total		654	(231)

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	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 and other derivatives	209,031	2,782	(1,070)
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)

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, foreign exchange rates, precious metal price and other market prices 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		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Bonds	111,366	117	111,366	101
Accrued interest	60	–	60	–
Less: impairment allowance	(15)	–	(15)	–
Total	111,411	117	111,411	101

(Expressed in millions of RMB unless otherwise stated)

6 Loans and advances to customers

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Loans and advances to customers measured at:				
- amortized cost (a)	4,371,902	4,255,699	4,262,596	4,153,741
- FVOCI (b)	468,537	484,192	468,537	484,192
- FVTPL (c)	60,223	46,149	60,223	46,149
Subtotal	4,900,662	4,786,040	4,791,356	4,684,082
Accrued interest	16,309	15,257	15,693	14,664
Impairment allowances				
- Loans and advances to customers mearsured at amortized cost	(118,083)	(110,087)	(111,473)	(104,256)
- Accrued interest of loans and advances to customers measured at amortized cost	(538)	(256)	(536)	(256)
Subtotal	(118,621)	(110,343)	(112,009)	(104,512)
Net loans and advances to customers	4,798,350	4,690,954	4,695,040	4,594,234

(a) Loans and advances to customers measured at amortized cost

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Corporates loans				
Commercial loans	2,392,505	2,261,151	2,298,480	2,175,189
Trade finance	85,865	102,155	85,865	102,155
Discounted bills	1,132	1,773	1,132	1,768
Retail loans				
Mortgage loans	872,127	905,974	865,791	898,953
Business loans	445,633	392,104	440,968	387,147
Credit card and overdraft	433,693	416,142	433,693	416,142
Consumer loans and others	140,947	176,400	136,667	172,387
Subtotal	4,371,902	4,255,699	4,262,596	4,153,741

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(b) Loans and advances to customers measured at FVOCI

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Corporates loans				
Trade finance	68,727	24,868	68,727	24,868
Discounted bills	399,810	459,324	399,810	459,324
Subtotal	468,537	484,192	468,537	484,192

(c) Loans and advances to customers measured at FVTPL

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Corporates loans				
Trade finance	50,961	19,554	50,961	19,554
Discounted bills	9,262	26,595	9,262	26,595
Subtotal	60,223	46,149	60,223	46,149
Total loans and advances to customers	4,900,662	4,786,040	4,791,356	4,684,082

(Expressed in millions of RMB unless otherwise stated)

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	472,245	9.64	433,936	9.07
Lease and commercial service	469,945	9.59	421,641	8.81
Real estate	322,036	6.57	331,015	6.92
Financial services	235,797	4.81	108,267	2.26
Water conservancy, environment and public facilities management	191,308	3.90	180,796	3.78
Transportation, warehouse and postal services	190,118	3.88	185,778	3.88
Electricity, heat, gas, water production and supply	161,222	3.29	146,184	3.05
Wholesale and retail	159,972	3.26	177,773	3.71
Construction	157,220	3.21	165,645	3.46
Mining	70,194	1.43	78,343	1.64
Information transmission, software and IT services	66,636	1.36	63,203	1.32
Research and technology services	31,425	0.64	37,850	0.79
Culture, sports and entertainment	19,094	0.39	17,770	0.37
Education	14,937	0.30	14,668	0.31
Agriculture, forestry, farming and fishery	14,202	0.29	17,243	0.36
Healthcare and social welfare	12,665	0.26	15,819	0.33
Hotels and catering services	6,652	0.14	7,707	0.16
Residential services, repairs and other services	1,850	0.04	3,217	0.07
Public administration, social assurance and social organization	362	0.01	710	0.01
Others	178	0.01	163	0.01
Subtotal	2,598,058	53.02	2,407,728	50.31
Discounted bills	410,204	8.37	487,692	10.19
Retail loans	1,892,400	38.61	1,890,620	39.50
Total	4,900,662	100.00	4,786,040	100.00

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The Bank	31 December 2022		31 December 2021	
	Amount	Rate (%)	Amount	Rate (%)
Corporate loans				
Manufacturing	456,864	9.53	426,249	9.10
Lease and commercial service	468,176	9.76	420,635	8.98
Real estate	322,019	6.71	330,994	7.07
Financial services	237,548	4.95	110,242	2.35
Water conservancy, environment and public facilities management	187,423	3.91	175,158	3.74
Transportation, warehouse and postal services	156,097	3.26	154,032	3.29
Electricity, heat, gas, water production and supply	138,747	2.90	120,657	2.58
Wholesale and retail	156,926	3.28	175,868	3.75
Construction	152,750	3.19	161,763	3.45
Mining	64,988	1.36	73,050	1.56
Information transmission, software and IT services	65,535	1.37	62,391	1.33
Research and technology services	31,258	0.65	37,754	0.81
Culture, sports and entertainment	18,676	0.39	17,107	0.37
Education	14,753	0.31	14,522	0.31
Agriculture, forestry, farming and fishery	10,929	0.23	14,162	0.30
Healthcare and social welfare	12,495	0.26	15,636	0.33
Hotels and catering services	6,508	0.14	7,527	0.16
Residential services, repairs and other services	1,804	0.04	3,146	0.07
Public administration, social assurance and social organization	359	0.01	710	0.02
Others	178	0.01	163	0.01
Subtotal	2,504,033	52.26	2,321,766	49.58
Discounted bills	410,204	8.56	487,687	10.41
Retail loans	1,877,119	39.18	1,874,629	40.01
Total	4,791,356	100.00	4,684,082	100.00

6.2 Loans and advances to customers analysed by collateral type

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Unsecured loans	2,057,153	2,012,057	2,015,028	1,970,107
Guaranteed loans	941,698	779,176	897,598	743,976
Collateralized loans	1,661,258	1,740,296	1,645,324	1,724,164
Pledged loans	240,553	254,511	233,406	245,835
Total	4,900,662	4,786,040	4,791,356	4,684,082

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6.3 Overdue loans and advances to customers

The Group	31 December 2022				
	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	17,264	13,300	2,102	2,067	34,733
Guaranteed loans	6,936	8,290	9,181	2,124	26,531
Collateralized loans	14,916	11,821	10,341	2,037	39,115
Pledged oans	3,586	1,966	1,840	136	7,528
Total	42,702	35,377	23,464	6,364	107,907

	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

The Bank	31 December 2022				
	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	16,337	12,910	2,026	1,272	32,545
Guaranteed loans	6,346	7,663	8,659	2,095	24,763
Collateralized loans	14,749	11,685	10,281	2,025	38,740
Pledged oans	2,570	1,965	1,830	136	6,501
Total	40,002	34,223	22,796	5,528	102,549

	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

The Group and the Bank classify the total loans with principal or interest overdue 1 day above (including 1 day) as overdue loans.

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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 2022		33,081	14,763	62,243	110,087
Transfers during the year:					
- Transfer to stage 1		1,421	(1,243)	(178)	-
- Transfer to stage 2		(1,523)	4,226	(2,703)	-
- Transfer to stage 3		(899)	(7,310)	8,209	-
Net increase for the year	(1)	6,065	12,620	46,190	64,875
Written-offs and disposals during the year		-	-	(64,956)	(64,956)
Recovery of loans and advances written off in previous years		-	-	8,625	8,625
Others		140	-	(688)	(548)
Balance at 31 December 2022		38,285	23,056	56,742	118,083

	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

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The Bank	Note	Stage 1	Stage 2	Stage 3	
		12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022		30,659	14,112	59,485	104,256
Transfers during the year:					
- Transfer to stage 1		1,399	(1,225)	(174)	-
- Transfer to stage 2		(1,493)	3,588	(2,095)	-
- Transfer to stage 3		(890)	(7,274)	8,164	-
Net increase for the year	(1)	5,602	12,332	45,803	63,737
Written-offs and disposals during the year		-	-	(64,608)	(64,608)
Recovery of loans and advances written off in previous years		-	-	8,573	8,573
Others		47	-	(532)	(485)
Balance at 31 December 2022		35,324	21,533	54,616	111,473

	Note	Stage 1	Stage 2	Stage 3	
		12-month ECL	Life-time ECL	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

(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.

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(b) Movements of ECL allowance of loans and advances to customers measured at FVOCI

The Group and the Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	325	4	190	519
Transfers during the year:				
- to stage 1	–	–	–	–
- to stage 2	–	–	–	–
- to stage 3	–	–	–	–
Net increase / (decrease) for the year	258	(4)	14	268
Write-off and disposal of this year	–	–	(196)	(196)
Balance at 31 December 2022	583	–	8	591

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

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7 Financial investments

	Note	The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Trading assets	(a)	708,984	526,034	636,751	487,998
Debt investments	(b)	1,196,691	1,306,188	1,193,150	1,304,324
Other debt investments	(c)	641,918	479,619	633,808	475,294
Other equity investments	(d)	7,870	7,082	7,870	7,082
Financial investments, net		2,555,463	2,318,923	2,471,579	2,274,698

(a) Trading assets

	Note	The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Fund investments		444,881	394,804	425,803	373,007
Trust and asset management plans	(1)	99,452	15,385	58,221	10,309
Government bonds		54,617	34,146	54,454	34,146
Corporate bonds		38,413	16,216	37,744	14,989
Beneficiary certificates of securities companies		20,348	13,437	20,348	13,437
Equity investment		19,140	15,696	11,781	7,882
Bonds issued by financial institutions		8,812	12,236	6,771	10,581
Deposit certificates issued by other financial institutions		5,296	9,012	5,296	9,012
Bonds issued by policy banks		4,932	1,789	4,932	1,789
Assets backed securities ("ABS")		4,683	6,519	4,683	6,409
Wealth management products and structured deposits		1,850	327	203	-
Other investment	(2)	6,560	6,467	6,515	6,437
Total		708,984	526,034	636,751	487,998

(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.

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(b) Debt investments

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Government bonds	563,491	567,605	563,081	567,605
Trust and asset management plans				
– Loans	199,085	253,657	196,703	252,640
– ABS	191,872	195,477	191,872	195,227
– Bill assets	–	695	–	695
– Others	1,907	2,543	1,907	2,543
Bonds issued by policy banks	198,999	200,520	198,999	200,520
Bonds issued by financial institutions	31,910	73,240	31,910	73,240
Corporate bonds	12,381	12,475	12,333	12,475
Deposit certificates issued by other financial institutions	1,656	1,137	1,656	1,137
ABS	261	138	128	138
Beneficiary certificates of securities companies	–	850	–	850
Other debt instrument	177	100	–	–
Subtotal	1,201,739	1,308,437	1,198,589	1,307,070
Accrued interest	14,424	17,527	14,353	17,467
Impairment allowance				
– Principal of debt investments	(19,431)	(19,743)	(19,752)	(20,200)
– Accrued interest of debt investments	(41)	(33)	(40)	(13)
Subtotal of impairment allowance	(19,472)	(19,776)	(19,792)	(20,213)
Financial investments at amortized cost, net	1,196,691	1,306,188	1,193,150	1,304,324

(i) Movement for ECL allowance of debt investments:

The Group	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	2,032	640	17,071	19,743
Transfers for the year:				
– to stage 1	118	(118)	–	–
– to stage 2	(143)	143	–	–
– to stage 3	(12)	(134)	146	–
Net increase for the year	112	550	4,972	5,634
Write-off and disposals during the year	–	–	(5,948)	(5,948)
Others	2	–	–	2
Balance at 31 December 2022	2,109	1,081	16,241	19,431

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	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	2,031	640	17,529	20,200
Transfers for the year:				
- to stage 1	118	(118)	–	–
- to stage 2	(143)	143	–	–
- to stage 3	(12)	(134)	146	–
Net increase for the year	58	525	4,835	5,418
Write-off and disposals during the year	–	–	(5,868)	(5,868)
Others	2	–	–	2
Balance at 31 December 2022	2,054	1,056	16,642	19,752

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

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(c) Other debt investments

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Government bonds	250,527	187,196	247,212	187,196
Corporate bonds	103,102	82,762	98,955	80,419
Bonds issued by policy banks	102,645	93,264	102,645	93,264
Deposit certificates issued by other financial institutions	91,035	11,726	91,035	11,726
Bonds issued by financial	84,877	83,847	84,256	81,869
ABS	2,886	5,134	2,886	5,134
Asset management plans	–	9,200	–	9,198
Subtotal	635,072	473,129	626,989	468,806
Accrued interest	6,846	6,490	6,819	6,488
Total	641,918	479,619	633,808	475,294

(i) Movements of ECL allowance of other debt investments:

The Group	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	340	224	640	1,204
Transfers for the year:				
- to stage 1	–	–	–	–
- to stage 2	(11)	11	–	–
- to stage 3	–	(129)	129	–
Net incease for the year	246	114	2,155	2,515
Write-off and disposals during the year	–	–	(65)	(65)
Others	15	7	62	84
Balance at 31 December 2022	590	227	2,921	3,738

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

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The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	318	180	220	718
Transfer for the year:				
- to stage 1	–	–	–	–
- to stage 2	(11)	11	–	–
- to stage 3	–	(129)	129	–
Net increase for the year	209	127	2,162	2,498
Write-off and dispos-als during the year	–	–	(65)	(65)
Others	14	4	30	48
Balance at 31 December 2022	530	193	2,476	3,199

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

(d) Other equity investments

The Group and the Bank	31 December 2022	31 December 2021
Other investment	5,170	4,174
Repossessed equity instruments	2,700	2,908
Total	7,870	7,082

8 Long-term equity investments

	Note	The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Investments in joint ventures	VI.2	2,319	2,513	2,319	2,513
Investments in associate	VI.2	336	306	–	–
Investment in subsidiaries	VI.1	–	–	29,307	24,307
Total		2,655	2,819	31,626	26,820

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The Group	1 January 2022	Decrease in investments	Net income adjusted by equity method	OCI adjusted by equity method	Declared cash dividends	Other change	31 December 2022
AXA SPDB Investment Managers Co., Ltd.	1,519	(362)	175	–	(46)	–	1,286
SPDB Silcon Valley Bank	994	–	23	–	–	16	1,033
Others	306	–	32	–	(2)	–	336
Total	2,819	(362)	230	–	(48)	16	2,655

	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

9 Fixed assets

The Group	Plant and buildings	Motor vehicles	Electronic computers and other equipments	Plane and ship equipments	Total
Cost					
1 January 2021	14,184	453	8,874	18,465	41,976
Additions	26	33	1,737	4,954	6,750
Transferred from construction in progress	–	–	19	–	19
Disposals	(71)	(37)	(821)	–	(929)
31 December 2021	14,139	449	9,809	23,419	47,816
Additions	341	25	1,482	3,722	5,570
Transferred from construction in progress	2,942	–	6	–	2,948
Disposals	(137)	(30)	(580)	–	(747)
31 December 2022	17,285	444	10,717	27,141	55,587
Accumulated depreciation					
1 January 2021	(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)
Charge	(473)	(26)	(1,257)	(1,027)	(2,783)
Disposals	111	28	543	–	682
31 December 2022	(5,592)	(350)	(7,356)	(5,132)	(18,430)
Net book value					
31 December 2022	11,693	94	3,361	22,009	37,157
31 December 2021	8,909	97	3,167	19,314	31,487

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The Bank	Plant and buildings	Motor vehicles	Electronic computers and other equipments	Total
Cost				
1 January 2021	13,577	422	8,585	22,584
Additions	20	31	1,683	1,734
Transferred from constructions in progress	–	–	19	19
Disposals	(71)	(36)	(770)	(877)
31 December 2021	13,526	417	9,517	23,460
Additions	341	23	1,441	1,805
Transferred from construction in progress	2,942	–	6	2,948
Disposals	(8)	(27)	(562)	(597)
31 December 2022	16,801	413	10,402	27,616
Accumulated				
1 January 2021	(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)
Charge	(461)	(25)	(1,229)	(1,715)
Disposals	3	25	530	558
31 December 2022	(5,455)	(325)	(7,115)	(12,895)
Net book value				
31 December 2022	11,346	88	3,287	14,721
31 December 2021	8,529	92	3,101	11,722

As of 31 December, 2022, the plant and buildings with original cost of RMB 1,215 million (31 December, 2021: RMB 677 million) and net book value of RMB 1,126 million (31 December, 2021: RMB 517 million) were already in use by the Group and the Bank while the property registration were still in progress.

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10 Lease

(1) Right-of-use assets

The Group	Plant & buildings	Equipment & other	Total
Cost			
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
Additions	2,522	33	2,555
Disposals	(2,383)	(19)	(2,402)
31 December 2022	16,998	152	17,150
Accumulated amortisation			
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)
Charge	(2,919)	(29)	(2,948)
Disposals	2,238	19	2,257
31 December 2022	(9,046)	(82)	(9,128)
Net book value			
31 December 2022	7,952	70	8,022
31 December 2021	8,494	66	8,560

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The Bank	Plant & buildings	Equipment & other	Total
Cost			
1 January 2021	15,662	176	15,838
Additions	2,817	22	2,839
Disposals	(2,365)	(60)	(2,425)
31 December 2021	16,114	138	16,252
Additions	2,322	33	2,355
Disposals	(2,313)	(19)	(2,332)
31 December 2022	16,123	152	16,275
Accumulated amortisation			
1 January 2021	(7,737)	(96)	(7,833)
Charge	(2,526)	(33)	(2,559)
Disposals	2,201	57	2,258
31 December 2021	(8,062)	(72)	(8,134)
Charge	(2,795)	(29)	(2,824)
Disposals	2,159	19	2,178
31 December 2022	(8,698)	(82)	(8,780)
Net book value			
31 December 2022	7,425	70	7,495
31 December 2021	8,052	66	8,118

(2) Lease liabilities

The analysis based on the remaining maturity date on the balance sheet date is as follows:

The Group	31 December 2022	31 December 2021
Within 3 months	782	793
3 months to 1 year	2,075	2,152
1 year to 5 years	5,058	5,576
More than 5 years	442	634
Total undiscounted lease liabilities	8,357	9,155
Book value of lease liabilities at year-end	7,832	8,451

The Bank	31 December 2022	31 December 2021
Within 3 months	738	753
3 months to 1 year	1,965	2,068
1 year to 5 years	4,767	5,297
More than 5 years	324	513
Total undiscounted lease liabilities	7,794	8,631
Book value of lease liabilities at year-end	7,293	7,993

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(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 2021	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
Additions	–	1,455	–	1,455
Disposals	–	(1)	–	(1)
31 December 2022	6,800	10,080	2,236	19,116
Accumulated amortisation				
1 January 2021	(627)	(4,972)	–	(5,599)
Charge	(173)	(1,382)	–	(1,555)
Disposals	–	30	–	30
31 December 2021	(800)	(6,324)	–	(7,124)
Charge	(174)	(1,470)	–	(1,644)
Disposals	–	1	–	1
31 December 2022	(974)	(7,793)	–	(8,767)
Net book value				
31 December 2022	5,826	2,287	2,236	10,349
31 December 2021	6,000	2,302	2,236	10,538

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The Bank	Land use rights	Software and others	Total
Cost			
1 January 2021	6,797	6,251	13,048
Additions	–	1,541	1,541
Disposals	–	(1)	(1)
31 December 2021	6,797	7,791	14,588
Additions	–	1,414	1,414
Disposals	–	(1)	(1)
31 December 2022	6,797	9,204	16,001
Accumulated amortisation			
1 January 2021	(627)	(4,187)	(4,814)
Charge	(173)	(1,363)	(1,536)
Disposals	–	1	1
31 December 2021	(800)	(5,549)	(6,349)
Charge	(173)	(1,444)	(1,617)
Disposals	–	1	1
31 December 2022	(973)	(6,992)	(7,965)
Net book value			
31 December 2022	5,824	2,212	8,036
31 December 2021	5,997	2,242	8,239

12 Goodwill

	31 December 2022	31 December 2021
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 2022 and 2021
Shanghai International Trust	4,739
Shanghai International Trust subsidiary	
–China International Fund Management Co., Ltd. ("China International Fund Management")	1,630
– Others	612
Total	6,981

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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.

As at 31 December 2022, the recoverable balance of Shanghai International Trust asset group was determined according to the fair value less costs of disposal.The management believes that this method is more representative compared to the cash flow models used in previous years in the context of greater uncertainty faced by the domestic market environment. The management selected comparable company cases and evaluated the fair value of Shanghai International Trust asset group with a price to book value ratio method, and corrected the price to book value ratio according to specific risk factors.

For the China International Fund Management asset group in the subsidiaries, the management determined the recoverable balance according to the fair value less costs of disposal determined in the relevant signed equity transfer agreement. For other subsidiary asset groups, the management calculate the relevant recoverable amount with cash flow models.

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 2022	31 December 2022	31 December 2022	31 December 2021
Deferred income tax assets	68,690	58,962	66,867	57,542
Deferred income tax liabilities	(641)	(638)	–	–

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 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	250,428	62,606	227,429	56,857
Fair value changes of deriva-tive financial instruments	37,528	9,382	29,528	7,382
Employee benefits payable	9,128	2,282	7,770	1,943
Provisions	6,230	1,558	6,275	1,569
Fair value changes of financial investment measured at FVOCI	12,639	3,160	5,026	1,218
Fair value changes of assets and liabilities measured at FVTPL	1,744	436	1,466	357
Fair value changes of precious metals and commodities	3,237	809	–	–
Others	6,543	1,637	6,004	1,501
Subtotal	327,477	81,870	283,498	70,827
Offset amounts		(13,180)		(11,865)
Deferred income tax assets after offsetting		68,690		58,962

(Expressed in millions of RMB unless otherwise stated)

	31 December 2022		31 December 2021	
	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	(42,770)	(10,693)	(33,773)	(8,443)
Fair value changes of financial investment measured at FVOCI	(3,818)	(955)	(7,051)	(1,763)
Fair value changes of assets and liabilities measured at FVTPL	(5,598)	(1,400)	(6,302)	(1,571)
Differences between fair value and carrying amount of identifiable net assets arising from business combina-tions of entities not under common control	(2,460)	(615)	(2,544)	(636)
Fair value changes of precious metals and commodities	(517)	(129)	(354)	(88)
Others	(117)	(29)	(8)	(2)
Subtotal	(55,280)	(13,821)	(50,032)	(12,503)
Offset amounts		13,180		11,865
Deferred tax liabilities after offsetting		(641)		(638)

The Bank	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	245,518	61,379	223,468	55,867
Fair value changes of derivative financial instruments	37,525	9,381	29,507	7,377
Employee benefits payable	7,624	1,906	7,566	1,892
Provision	6,228	1,557	6,272	1,568
Fair value changes of financial investment measured at FVOCI	11,955	2,989	4,396	1,099
Fair value changes of assets and liabilities measured at FVTPL	2,256	564	1,355	339
Fair value changes of precious metals and commodities	3,233	808	–	–
Others	5,847	1,463	4,998	1,249
Subtotal	320,186	80,047	277,562	69,391
Offset amounts		(13,180)		(11,849)
Deferred tax assets after offsetting		66,867		57,542

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	31 December 2022		31 December 2021	
	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	(42,770)	(10,693)	(33,756)	(8,439)
Fair value changes of financial investment measured at FVOCI	(3,818)	(955)	(7,051)	(1,763)
Fair value changes of assets and liabilities measured at FVTPL	(5,598)	(1,400)	(6,236)	(1,559)
Fair value changes of precious metals and commodities	(517)	(129)	(354)	(88)
Others	(13)	(3)	–	–
Subtotal	(52,716)	(13,180)	(47,397)	(11,849)
Offset amounts		13,180		11,849
Deferred tax liabilities after offsetting		–		–

13.3 The movement of the deferred income tax account is as follows:

	Note	The Group		The Bank	
		2022	2021	2022	2021
Balance at the beginning of the year		58,324	51,669	57,542	51,049
Charged to profit or loss	V.40	7,712	6,389	7,381	6,322
Charged to other comprehensive income	V.29	2,013	266	1,944	171
Balance at the end of the year		68,049	58,324	66,867	57,542

14 Other assets

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Suspense accounts	25,423	66,394	25,417	66,384
Margin deposits	14,403	14,355	14,403	14,355
Other receivables	11,400	4,983	9,298	3,842
Prepayment for land-use rights and constructions	4,654	4,256	1,675	2,150
Interest receivable	3,787	4,065	3,784	4,065
Payments to Trust Protection Fund on behalf of investors	1,520	1,819	–	–
Long-term deferred expenses	1,398	1,180	1,335	1,118
Repossessed assets	444	612	374	555
Other assets	1,785	830	969	294
Total	64,814	98,494	57,255	92,763

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15 Impairment allowances for assets

The Group	1 January 2022	Charges/ (reverse)	Write-off and disposal	Others	31 December 2022
Deposits with banks and other financial institutions	184	57	–	–	241
Placements with banks and other financial institutions	138	190	–	–	328
Financial assets purchased under resale agreements	–	15	–	–	15
Loans and advances to customers measured at amortized cost	110,087	64,875	(64,956)	8,077	118,083
Loans and advances to customers measured at FVOCI	519	268	(196)	–	591
Debt investments	19,743	5,634	(5,948)	2	19,431
Other debt investments	1,204	2,515	(65)	84	3,738
Accrued interest and interest receivable	2,630	2,117	(1,477)	–	3,270
Other assets	2,678	383	(97)	–	2,964
Total	137,183	76,054	(72,739)	8,163	148,661

	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

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The Bank	1 January 2022	Charges	Write-off and disposal	Others	31 December 2022
Deposits with banks and other financial institutions	155	58	–	–	213
Placements with banks and other financial institutions	138	188	–	–	326
Financial assets purchased under resale agreements	–	15	–	–	15
Loans and advances to customers measured at amortized cost	104,256	63,737	(64,608)	8,088	111,473
Loans and advances to customers measured at FVOCI	519	268	(196)	–	591
Debt investments	20,200	5,418	(5,868)	2	19,752
Other debt investments	718	2,498	(65)	48	3,199
Accrued interest and interest receivable	2,493	2,165	(1,466)	–	3,192
Other assets	2,636	380	(96)	–	2,920
Total	131,115	74,727	(72,299)	8,138	141,681

	1 January 2021	Charges	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

16 Deposits from banks and other financial institutions

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deposits from domestic banks	198,159	208,531	205,763	215,512
Deposits from overseas banks	3,220	1,478	3,220	1,478
Deposits from domestic non-bank financial institutions	551,064	702,353	555,781	703,484
Deposits from overseas non-bank financial institutions	15,603	9,888	15,993	10,230
Accrued interest	2,292	1,828	2,311	1,847
Total	770,338	924,078	783,068	932,551

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17 Placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Placements from domestic banks	195,752	139,511	120,253	70,053
Placements from overseas banks	56,443	40,244	48,047	32,579
Placements from domestic non-bank financial institutions	3,596	2,600	200	–
Accrued interest	671	342	394	95
Total	256,462	182,697	168,894	102,727

18 Trading liabilities

	Note	The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Financial liabilities related to precious metals		84,677	18,861	84,677	18,861
Financial liabilities related to short selling of bonds		3,099	1,093	3,099	1,093
Interest of other unitholders in consolidated structured entities	(1)	7,005	11,326	–	–
Total		94,781	31,280	87,776	19,954

(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 2022 and 31 December 2021, 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 2022	31 December 2021	31 December 2022	31 December 2021
Bonds	242,281	130,170	200,109	125,989
Discounted bills	104,743	44,016	104,743	44,016
Interbank certificates of deposit	3,047	–	–	–
Accrued interest	97	33	97	33
Total	350,168	174,219	304,949	170,038

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20 Deposits from customers

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Current deposits				
- corporate	1,656,442	1,745,409	1,649,899	1,738,847
- retail	413,721	340,312	410,761	337,563
Time deposits				
- corporate	1,836,412	1,631,948	1,833,261	1,628,886
- retail	917,007	682,684	898,395	664,599
Other deposits	2,896	2,703	2,828	2,676
Subtotal	4,826,478	4,403,056	4,795,144	4,372,571
Accrued interest	67,334	60,552	66,213	59,404
Total	4,893,812	4,463,608	4,861,357	4,431,975

21 Employee benefits payable

The Group	Note	1 January 2022	Additions during the year	Decreased during the year	Others	31 December 2022
Short-term employee benefits						
Salaries, bonuses, allowances		6,868	19,109	(21,227)	-	4,750
Staff welfare		-	1,060	(1,060)	-	-
Social insurance						
- Medical insurance		45	1,038	(1,039)	-	44
- Work- related injury insurance		2	21	(21)	-	2
- Maternity insurance		23	16	(27)	-	12
Housing fund		26	1,539	(1,508)	-	57
Labour union fee, staff and workers' education fee		227	507	(515)	-	219
Others		-	511	(470)	-	41
Basic pension insurance	(1)	169	1,722	(1,706)	-	185
Unemployment insurance	(1)	23	156	(159)	-	20
Annuity	(1)	3	812	(811)	-	4
Other long-term employee benefits	(2)	7,479	2,446	(2,768)	181	7,338
Total		14,865	28,937	(31,311)	181	12,672

(Expressed in millions of RMB unless otherwise stated)

	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

The Bank	Note	1 January 2022	Additions during the year	Decreased during the year	Others	31 December 2022
Short-term employee benefits						
Salaries, bonuses, allowances		5,261	17,199	(19,552)	-	2,908
Staff welfare		-	999	(999)	-	-
Social insurance						
- Medical insurance		43	947	(951)	-	39
- Work- related injury insurance		2	19	(19)	-	2
- Maternity insurance		23	15	(26)	-	12
Housing fund		25	1,494	(1,463)	-	56
Labour union fee, staff and workers' education fee		216	471	(482)	-	205
Others		-	506	(506)	-	-
Basic pension insurance	(1)	166	1,632	(1,617)	-	181
Unemployment insurance	(1)	23	144	(147)	-	20
Annuity	(1)	3	737	(737)	-	3
Other long-term employee benefits	(2)	7,306	2,329	(2,466)	169	7,338
Total		13,068	26,492	(28,965)	169	10,764

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	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

(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 2022	31 December 2021	31 December 2022	31 December 2021
Corporate income tax	27,290	25,170	26,701	24,703
VAT	3,898	3,737	3,783	3,568
Withholding tax and others	1,025	1,522	583	634
Total	32,213	30,429	31,067	28,905

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23 Debt securities issued

	Note	The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Interbank deposit certificates and deposit certificates issued	(1)	887,197	900,375	887,197	900,375
Bonds issued					
Subordinated bond issued in 2012	(2)	–	12,000	–	12,000
2018 Tier II First Financial Bond	(3)	20,000	20,000	20,000	20,000
2018 Tier II Second Financial Bond	(4)	20,000	20,000	20,000	20,000
2019 First Special Financial Bond for Small and Micro Enterprise Loans	(5)	–	50,000	–	50,000
2020 Tier II First Financial Bond	(6)	32,000	32,000	32,000	32,000
2020 Tier II Second Financial Bond	(7)	8,000	8,000	8,000	8,000
2020 Tier II Third Financial Bond	(8)	30,000	30,000	30,000	30,000
2020 Tier II Fourth Financial Bond	(9)	10,000	10,000	10,000	10,000
2020 First Financial Bond	(10)	50,000	50,000	50,000	50,000
2021 First Financial Bond	(11)	60,000	60,000	60,000	60,000
2021 Second Financial Bond	(12)	40,000	40,000	40,000	40,000
2022 First Financial Bond (Variety I)	(13)	25,000	–	25,000	–
2022 First Financial Bond (Variety II)	(13)	5,000	–	5,000	–
2022 Second Financial Bond	(14)	30,000	–	30,000	–
2022 Third Financial Bond	(15)	30,000	–	30,000	–
Hong Kong medium-term note	(16)	10,122	11,513	10,122	11,513
Singapore medium-term note	(17)	2,085	1,912	2,085	1,912
London medium-term note	(18)	2,781	1,912	2,781	1,912
SPDB Convertible corporate bonds	(19)	49,998	49,998	49,998	49,998
2019 First SPDB Financial Leasing Financial Bond	(20)	–	2,000	–	–
2019 Second SPDB Financial Leasing Financial Bond	(21)	–	2,000	–	–
2020 Tier II SPDB Financial Leasing Financial Bond	(22)	1,100	1,100	–	–
2020 SPDB Financial Leasing Financial Bond	(23)	2,800	3,000	–	–
2021 SPDB Financial Leasing Financial Green Bond	(24)	3,000	3,000	–	–
2021 First SPDB Financial Leasing Financial Bond	(25)	2,000	2,000	–	–
2022 First SPDB Financial Leasing Financial Bond	(26)	1,450	–	–	–
Subtotal		435,336	410,435	424,986	397,335
Add: Unamortized issue cost and others		1,532	459	1,546	479
Debt securities issued		436,868	410,894	426,532	397,814
Accrued interest		6,239	5,852	6,127	5,702
Total		1,330,304	1,317,121	1,319,856	1,303,891

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(1)As at 31 December 2022, the Group issued a total of 153 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 1.85% to 2.65% (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%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2022, the number of deposit certificates publicly issued but not yet expired were 92 in total, with the longest term to maturity being 365 days and interest rates falling within a range from 0% to 5.66% (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%).

(2) 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.

(3) 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.

(4) 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.

(5) 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%.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) On 27 April 2020, the Bank issued "2020 First Financial Bond" with a total amount of RMB 50 billion in the national interbank bond market to the public. These bond has a maturity of 3 years and an annual coupon rate of 2.08%.

(11) On 23 March 2021, the Bank issued "2021 First Financial Bond" with a total amount of RMB 60 billion in the national interbank bond market to the public. These bond has a maturity of 3 years and an annual coupon rate of 3.48%.

(12) On 2 December 2021, the Bank issued "2021 First Financial Bond" with a total amount of RMB 40 billion in the national interbank bond market to the public. These bond has a maturity of 3 years and an annual coupon rate of 2.97%.

(13) On 21 January 2022, the Bank issued "2022 First Financial Bond (Variety I)" with a total amount of RMB 25 billion and "2022 First Financial Bond (Variety II)" with a total amount of RMB 5 billion in the national interbank bond market to the public. These bonds have a maturity of 3 years and an annual coupon rate of 2.69%.

(14) On 24 February 2022, the Bank issued "2022 Second Financial Bond" with a total amount of RMB 30 billion in the national interbank bond market to the public. These bond has a maturity of 3 years and an annual coupon rate of 2.78%.

(15) On 9 November 2022, the Bank issued "2022 Third Financial Bond" with a total amount of RMB 30 billion in the national interbank bond market to the public. These bond has a maturity of 3 years and an annual coupon rate of 2.45%.

(16)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 HKD 2 billion medium-term notes and USD 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) On 19 January 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. They were matured on 29 October 2022. On 14 July 2022, the Bank issued USD 400 million of medium-term notes on the London Stock Exchange; these notes have a maturity of 3 years and an annual coupon rate of 3.25%.

(19) The Bank made a public offering of RMB 50 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).

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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 2022, a total of RMB 1,376,000 SPDB covertible bonds were converted to ordinary shares of the Bank, and the accumulated numbers of shares converted were 93,773, 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.27)	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	3,431	-	3,431
Converted bonds in the prior year	(2)	-	(2)
Balance at 1 January 2022	50,565	2,782	53,347
Amortisation in the current period	1,157	-	1,157
Balance at 31 December 2022	51,722	2,782	54,504

(20) 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%.

(21) 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%.

(22) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued 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

(23) 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%. As at 31 December 2022, the actual issuance of the Group was RMB 2.8 billion.

(24) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2021 Green 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%.

(25) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2021 First SPDB Financial Leasing Financial Bond" in the amount of RMB 2 billion in the domestic inter-bank market on 21 Octorber 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.30%.

(26) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2022 First Financial Bond (Freight and logistics)" in the amount of RMB 1.5 billion in the domestic inter-bank market on 8 July 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.93%. As at 31 December 2022, the actual issuance of the Group was RMB 1.45 billion.

24 Provisions

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Impairment allowance for financial guarantees and loan commitments	6,229	6,274	6,227	6,271
Others	1	1	1	1
Total	6,230	6,275	6,228	6,272

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25 Other liabilities

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Suspense accounts	25,634	25,001	25,628	24,998
Contract liabilities	3,238	3,140	2,690	2,545
Accrued charges	2,414	2,758	2,402	2,748
Advance from performance deposits and other deposits	3,175	3,288	217	202
Others	5,303	4,846	2,067	2,313
Total	39,764	39,033	33,004	32,806

26 Share capital

The Group and the Bank	31 December 2022	31 December 2021
Domestic listed RMB ordinary shares (A shares)	29,352	29,352

A shares issued by the Bank are all ordinary shares, 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 2022	31 December 2021
Other equity instruments included in the tier 1 capital of the Bank- the equity components 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 2022, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2021: RMB 2,782 million), see Note V.23(19) for specific information.

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(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 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.

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(b) The Bank issued "2019 Perpetual bond of the Shanghai Pudong Development Bank Co., Ltd. " (RMB 30 billion) and "2020 Perpetual bond of the Shanghai Pudong Development Bank Co., Ltd." (RMB 50 billion) in the domestic 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 bond in 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 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" ([2019] 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 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 bond of the Shanghai Pudong Development Bank Co., Ltd.",The Bank has the right to write down the bonds without obtaining the consent of the Perpetual bond investor 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 bond issued 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 bond issued and existing at that time in accordance with the total par value without the consent of the bondholders.

As for the "2020 Perpetual bond of 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 2022	31 December 2021	31 December 2022	31 December 2021
Share premium	81,691	81,691	81,691	81,691
Other capital surplus				
- Capital increase of subsidiaries	50	50	-	-
- Others	21	21	21	21
Total	81,762	81,762	81,712	81,712

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 31 December, 2022, about RMB 1,376,000 of convertible corporate bonds had been converted into A-share ordinary shares, accumulatively increasing the bank's share capital to 93,773 shares, and increasing the Bank's share capital premium accordingly.

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29 Other comprehensive income

The Group	Opening balance of other comprehensive income attributable to the Bank's Shareholders	For the year from 1 January 2022 to 31 December 2022					Transfer of other comprehensive income to retained earnings	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	1,039	(8,291)	(2,509)	2,655	(8,145)	–	–	(7,106)
– Impairment allowance	1,417	2,867	(261)	(647)	1,959	–	–	3,376
Exchange differences from the translation of foreign operations	(15)	376	–	–	335	41	–	320
Cash flow hedge reserve	17	(3)	–	1	(11)	9	–	6
Others	1	–	–	–	–	–	–	1
Item that will not be reclassified to profit or loss								
Changes in fair value of other equity instruments	362	(61)	–	4	(57)	–	45	350
	2,821	(5,112)	(2,770)	2,013	(5,919)	50	45	(3,053)

	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

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The Bank	Opening balance of other comprehensive income	For the year from 1 January 2022 to 31 December 2022					Ending balance of other comprehensive income
		Transfer in before tax	Less: transfer out	Less: income tax	After tax	Transfer of other comprehensive income to retained earnings	
Items that may be reclassified to profit or loss							
Financial investments measured at FVOCI							
– Fair value changes	1,574	(7,828)	(2,457)	2,570	(7,715)	–	(6,141)
– Impairment allowance	929	2,814	(261)	(638)	1,915	–	2,844
Exchange differences from the translation of foreign operations	(24)	(20)	–	–	(20)	–	(44)
Cash flow hedge reserve	7	(32)	–	8	(24)	–	(17)
Others	1	–	–	–	–	–	1
Item that will not be reclassified to profit or loss							
Changes in fair value of other equity instruments	362	(61)	–	4	(57)	45	350
	2,849	(5,127)	(2,718)	1,944	(5,901)	45	(3,007)

	Opening balance of other comprehensive incom	For the year from 1 January 2021 to 31 December 2021				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	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

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30 Surplus reserves

The Group and The Bank	1 January 2022	Addition	31 December 2022
Statutory reserve	22,206	–	22,206
Discretionary reserve	137,086	15,093	152,179
Total	159,292	15,093	174,385

	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

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 2022	Addition	31 December 2022
General risk reserve	90,993	8,522	99,515

	1 January 2021	Addition	31 December 2021
General risk reserve	79,640	11,353	90,993

The Bank	1 January 2022	Addition	31 December 2022
General risk reserve	89,000	4,500	93,500

	1 January 2021	Addition	31 December 2021
General risk reserve	78,000	11,000	89,000

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 2021

Pursuant to the approval at the Shareholders' meeting on 17 June 2022, the Bank's profit distribution plan for the year ended 31 December 2021 is as follows:

(i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 15,093 million;

(ii) Appropriate RMB 4.5 billion as general reserve;

(iii) The Bank declared and distributed cash dividends of RMB 4.1 (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 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.

(3) Dividend distribution for preference shares

On 27 October 2022, 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 5 December 2022, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 26 January 2022, 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 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 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 rate of Pufayou 2 (4.81%).

(4) Interests payment of capital bonds with unfixed terms

In November 2022, 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 2022, 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 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.

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33 Net interest income

	The Group		The Bank	
	2022	2021	2022	2021
Interest income				
Loans and advances to customers				
– Corporate loans	96,127	91,588	91,888	87,618
– Retail loans	110,209	112,530	109,314	111,599
– Discounted bills	10,585	14,428	10,585	14,428
Financial investments				
– debt investments	45,430	46,765	45,349	46,732
– other debt investments	16,534	17,858	16,070	17,412
Placements with banks and other financial institutions	11,083	7,730	11,226	7,754
Deposits with central bank	5,599	5,734	5,570	5,701
Financial assets purchased under resale agreements	2,122	2,270	2,122	2,270
Deposits with banks and other financial institutions	1,831	1,790	1,657	1,618
Subtotal	299,520	300,693	293,781	295,132
Interest expense				
Deposits from customers	(96,828)	(84,867)	(96,005)	(84,028)
Debt securities issued	(39,212)	(38,664)	(38,767)	(38,163)
Deposits from banks and other financial institutions	(14,895)	(26,319)	(15,322)	(26,587)
Borrowing from central bank	(5,982)	(7,500)	(5,968)	(7,476)
Placements from banks and other financial institutions	(5,230)	(3,452)	(3,044)	(1,377)
Financial assets sold under repurchase agreements	(3,704)	(3,933)	(3,704)	(3,933)
Subtotal	(165,851)	(164,735)	(162,810)	(161,564)
Net interest income	133,669	135,958	130,971	133,568

(Expressed in millions of RMB unless otherwise stated)

34 Net fee and commission income

	The Group		The Bank	
	2022	2021	2022	2021
Fee and commission income				
Fees from bank cards	14,403	12,863	14,402	12,862
Custodian and other fiduciary activities commissions	11,222	13,657	7,100	9,761
Agency commissions	4,090	4,799	4,090	4,798
Fees from investment banking activities	3,775	3,694	3,595	3,501
Credit commitment fees	2,093	2,300	2,092	2,298
Settlement and clearing fees	992	971	992	971
Others	1,191	1,563	1,037	1,297
Subtotal	37,766	39,847	33,308	35,488
Fee and commission expense	(9,075)	(10,713)	(10,860)	(10,778)
Net fee and commission income	28,691	29,134	22,448	24,710

35 Investment income

	The Group		The Bank	
	2022	2021	2022	2021
Financial investments:				
- Trading assets	16,954	11,020	16,245	9,938
- Debt investments	2,683	1,010	2,683	1,010
- Other debt investments	321	(379)	269	(450)
- Other equity investments	121	52	121	62
Gain on disposal of bills	2,188	1,593	2,188	1,593
Derivative financial instruments	795	1,792	795	1,792
Long-term equity investments accounted for using the equity method	230	223	198	190
Dividends from subsidiaries	-	-	125	117
Precious metals	(3,866)	1,675	(3,866)	1,675
Others	451	311	450	311
Total	19,877	17,297	19,208	16,238

(Expressed in millions of RMB unless otherwise stated)

36 Gains or losses from change of fair value

	The Group		The Bank	
	2022	2021	2022	2021
Derivative financial instruments	2,396	997	2,396	997
Loans and advances to customers measured at FVTPL	(103)	94	(103)	78
Hedged bonds	(497)	(491)	(497)	(491)
Trading assets	(2,594)	3,938	(1,277)	4,049
Precious metals	(3,069)	74	(3,069)	74
Others	13	(108)	13	(108)
Total	(3,854)	4,504	(2,537)	4,599

37 Foreign exchange gains

	The Group		The Bank	
	2022	2021	2022	2021
Gains or losses from investment in foreign exchange derivatives	341	(351)	341	(351)
Gains or losses from changes in fair values of foreign exchange derivatives	(1,223)	641	(1,223)	641
Others	7,574	523	7,530	520
Total	6,692	813	6,648	810

38 General and administrative expenses

	The Group		The Bank	
	2022	2021	2022	2021
Staff costs				
- Short-term employee benefits	23,801	23,292	21,650	21,383
- Post-employment benefits	2,690	2,503	2,513	2,393
- Other long-term employement benefits	2,446	2,605	2,329	2,297
Depreciation and amortisation	6,801	6,226	6,598	6,004
Short-term and low-value asset lease fees and Rental expenses	374	421	289	374
Others	16,495	14,931	15,733	14,098
Total	52,607	49,978	49,112	46,549

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39 Impairment on credit losses

	The Group		The Bank	
	2022	2021	2022	2021
Loans and advances to customers	65,143	64,542	64,005	63,444
Others	10,809	13,789	10,631	13,731
Total	75,952	78,331	74,636	77,175

40 Income tax expense

	The Group		The Bank	
	2022	2021	2022	2021
Current income tax expense	11,864	11,694	10,127	10,506
Deferred income tax expense	(7,712)	(6,389)	(7,381)	(6,322)
Total	4,152	5,305	2,746	4,184

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	
	2022	2021	2022	2021
Profit before income tax	56,149	59,071	51,225	54,493
Tax calculated at statutory tax rate of the PRC	14,037	14,768	12,806	13,623
Tax effect from other various tax rates adopted by subsidiaries	49	(43)	–	–
Tax effect of non-deductible expenses	982	377	671	319
Tax effect of non-taxable income	(10,035)	(8,768)	(9,841)	(8,743)
Other tax adjustments	(881)	(1,029)	(890)	(1,015)
Income tax expense	4,152	5,305	2,746	4,184

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 2022, 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.

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The Group	2022	2021
Profit for the year attributable to shareholders of the Bank	51,171	53,003
Less: Profit for the year attributable to preference shareholders of the Bank	(1,559)	(1,559)
Payment of interests of non-fixed term capital bonds	(3,794)	(3,794)
Profit for the year attributable to the holders of the Bank's share capital	45,818	47,650
Weighted average number of outstanding share capital (million)	29,352	29,352
Basic EPS (RMB)	1.56	1.62

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 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	2022	2021
Net profit for the current year attributable to shareholders of the Bank	45,818	47,650
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	1,471	1,429
Net profit for the current year attributable to ordinary shareholders of the Bank	47,289	49,079
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)	3,579	3,460
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	32,931	32,812
Diluted earnings per share (RMB)	1.44	1.50

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42 Cash and cash equivalents

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Cash	5,544	5,470	5,403	5,338
Surplus resrves with central bank	105,479	73,454	103,168	70,405
Deposits with banks and other financial institutions with original maturities no more than three months	130,591	86,329	126,095	80,953
Placements with banks and other financial institutions with original maturities no more than three months	19,324	50,838	22,189	50,838
Financial assets purchased under resale agreements with original maturities no more than three months	111,366	35	111,366	18
Total	372,304	216,126	368,221	207,552

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	
	2022	2021	2022	2021
Net profit	51,997	53,766	48,479	50,309
Add: Impairment on credit losses	75,952	78,331	74,636	77,175
Impairment losses on other assets	47	13	38	13
Depreciations and amortizations	7,828	7,261	6,598	6,004
Interest expense on lease liabilities	294	316	283	300
Net gains from disposal of fixed assets, intangible assets and other long-term assets	(84)	(26)	(12)	(26)
Net (gains) / losses from changes in fair value	3,854	(4,504)	2,537	(4,599)
Foreign exchange (gains) / losses	1,223	(641)	1,223	(641)
Interest expenses on debt securities issued	39,212	38,664	38,767	38,163
Interest income from investment in debt instruments	(63,129)	(64,623)	(62,585)	(64,144)
Net investment gains	(16,412)	(8,859)	(16,086)	(8,171)
Increase in deferred tax assets	(7,715)	(6,338)	(7,381)	(6,322)
Increase/ (Decrease) in deferred tax liabilities	3	(51)	–	–
Increase in operating receivables	(236,489)	(362,193)	(240,404)	(346,950)
Increase/(Decrease) in operating payables	508,518	11,692	468,254	(2,156)
Net cash flows generated from / (used in) operating activities	365,099	(257,192)	314,347	(261,045)

(Expressed in millions of RMB unless otherwise stated)

(b) Changes in cash and cash equivalents

	The Group		The Bank	
	2022	2021	2022	2021
Cash and cash equivalents at the end of the year	372,304	216,126	368,221	207,552
Less: Cash and cash equivalents at the beginning of the year	(216,126)	(318,618)	(207,552)	(312,615)
Net increase / (decrease) in cash and cash equivalents	156,178	(102,492)	160,669	(105,063)

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 2022, the Group transferred financial assets amounted to RMB 26,434 million through assets backed securitization transactions, and all have met the requirement of derecognition (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).

As at 31 December 2022, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 35,874 million (31 December 2021: RMB 35,874 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 2022, the assets value of the Group's continued recognition was RMB 4,650 million (31 December 2021: RMB 4,650 million).

Transfer of loans assets

For the year ended 31 December 2022, the Group directly transferred and derecognized a total amount of RMB 11,385 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 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).

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 2022, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 67,632 million (31 December 2021: RMB 40,639 million).

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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%
SPDB wealth management Co., Ltd.	Shanghai	Shanghai	Establishment	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%

As of the date of the statement of financial position, 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. In January 2023, the Bank has entered into equity transfer agreement with other shareholders of Tianjin Baodi Shanghai Pudong Development Rural Bank Co., Ltd., and the direct shareholding percentage of the Bank increased to 51%.

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.

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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:

Carrying amount	The Group	
	31 December 2022	31 December 2021
Trading assets		
Fund investments	443,879	394,604
Capital trust and asset management plans	95,101	11,395
Equity investment	10,371	7,281
ABS	4,656	6,518
Wealth management products and Structured deposits	–	10
Other investments	6,560	6,467
Debt investments		
Capital trust and asset management plans	372,761	433,573
ABS	207	127
Other debt investments		
ABS	2,886	5,134
Capital trust and asset management plans	–	9,198
Other equity investments		
Repossessed equity instruments	828	828

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 2022, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, were RMB 980,263 million (31 December 2021: RMB 1,170,405 million) respectively.

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In 2022 and 2021, the Group did not provide material financial support to the Group's wealth management products.

As at 31 December 2022, the amount of assets held by the unconsolidated capital trust and asset management plans, which are sponsored by the Group, were RMB 305,463 million (31 December 2021: RMB 387,901 million) respectively.

As at 31 December 2022, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 201,225 million (31 December 2021: RMB 265,135 million) respectively.

As at 31 December 2022, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 136,737 million (31 December 2021: RMB 197,136 million) respectively.

In 2022, the Group's commission income from providing services to the wealth management products and Trust plans was RMB 5.199 billion and RMB 2.494 billion, respectively. (In 2021: RMB 6.980 billion and 2.784 billion).The commission income from other non-consolidated structured entities managed by the Group is not material.

3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2022

There were no wealth management products sponsored and issued by the Group after 1 January 2022 and matured before 31 December 2022 (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 is not significant).

The total amount of ABS issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB 502 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 no trust plans or investments in funds issued by the Group after 1 January 2022 and expired before 31 December 2022.

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

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	For the year from 1 January 2022 to 31 December 2022									
	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	76,816	39,685	13,431	15,405	12,961	11,792	4,359	14,382	(209)	188,622
Interest income	129,807	87,333	33,612	38,822	25,017	30,028	9,539	11,416	(66,054)	299,520
Including:										
External interest income	116,547	62,922	24,403	25,566	24,456	26,919	8,241	10,466	–	299,520
Internal interest income	13,260	24,411	9,209	13,256	561	3,109	1,298	950	(66,054)	–
Interest expense	(86,559)	(53,102)	(23,248)	(25,260)	(12,779)	(18,100)	(5,511)	(7,354)	66,062	(165,851)
Including:										
External interest expense	(54,828)	(45,298)	(14,154)	(21,501)	(10,326)	(8,755)	(4,675)	(6,314)	–	(165,851)
Internal interest expense	(31,731)	(7,804)	(9,094)	(3,759)	(2,453)	(9,345)	(836)	(1,040)	66,062	–
Net fee and commission income / (expense)	14,519	4,130	2,608	1,003	340	(666)	180	6,579	(2)	28,691
Investment income	14,359	2,648	416	703	409	576	118	654	(6)	19,877
Other income	16	67	9	18	8	105	3	425	–	651
Net gains arising from financial investments	(3,824)	321	(35)	(46)	(67)	(166)	9	(46)	–	(3,854)
Foreign exchange income	8,456	(1,767)	67	100	32	22	19	(237)	–	6,692
Other operating income / (expense)	42	25	2	66	9	2	2	2,873	(209)	2,812
Impairment losses	–	30	–	(1)	(8)	(9)	–	72	–	84
II. Operating expense	(54,573)	(19,491)	(8,405)	(8,144)	(11,967)	(18,774)	(3,243)	(7,961)	209	(132,349)
Taxes and surcharges	(475)	(530)	(216)	(220)	(209)	(230)	(71)	(108)	–	(2,059)
General administrative expenses	(18,454)	(10,728)	(3,989)	(5,042)	(3,827)	(4,513)	(1,780)	(4,483)	209	(52,607)
Impairment on credit losses	(35,644)	(8,191)	(4,194)	(2,838)	(7,927)	(14,023)	(1,387)	(1,748)	–	(75,952)
Impairment losses on other assets	1	(27)	(2)	–	(1)	(5)	(4)	(9)	–	(47)
Other operating expense	(1)	(15)	(4)	(44)	(3)	(3)	(1)	(1,613)	–	(1,684)
III.Operating profit/(losses)	22,243	20,194	5,026	7,261	994	(6,982)	1,116	6,421	–	56,273
Add: Non-operating income	7	24	8	7	7	10	4	9	–	76
Less: Non-operating expenses	(54)	(39)	(13)	(6)	(61)	(14)	(6)	(7)	–	(200)
IV.Total segment profit/ (losses) before tax	22,196	20,179	5,021	7,262	940	(6,986)	1,114	6,423	–	56,149

	31 December 2022									
	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	553,520	1,538,543	611,277	631,186	515,155	570,421	189,937	190,514	(2,203)	4,798,350
Total segment assets	4,700,936	2,454,245	754,000	958,945	576,903	621,781	266,418	441,247	(2,069,824)	8,704,651
Deposits from customers	82,640	2,101,837	621,945	846,142	489,845	444,747	205,831	101,606	(781)	4,893,812
Total segment liabilities	4,048,318	2,434,215	748,895	951,537	575,835	628,896	265,383	414,621	(2,069,824)	7,997,876
Segment net position of assets and liabilities	652,618	20,030	5,105	7,408	1,068	(7,115)	1,035	26,626	–	706,775

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	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 in-come	112,699	65,294	24,582	26,575	29,458	25,039	8,413	8,633	-	300,693
Internal interest in-come	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 ex-pense	(64,225)	(41,349)	(12,327)	(20,525)	(9,736)	(7,358)	(4,500)	(4,715)	-	(164,735)
Internal interest ex-pense	(19,541)	(8,346)	(9,101)	(6,234)	(4,081)	(11,225)	(1,046)	(454)	60,028	-
Net fee and commis-sion income / (expense)	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

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IX CONTINGENCIES AND COMMITMENTS

1 Credit commitments

The Group's credit commitments are listed as follows:

	31 December 2022	31 December 2021
Bank acceptance bills	729,985	617,735
Letters of credit issued	236,245	192,522
Letters of guarantee issued	109,643	113,363
Credit cards and loan commitments	704,235	647,121
Total	1,780,108	1,570,741

2 Commitment on redemption of treasury bonds

The Group is entrusted by the MOF to underwrite treasury bonds. The investors of these treasury bonds have a right to redeem the bonds in advance and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest. As at 31 December 2022, the outstanding principal value of the commitment on redemption treasury bonds sold by the Group amounted to RMB 7,781 million (31 December 2021: RMB 11,668 million). The original maturities of these treasury bonds vary from three to five years. The management expects the amount of the bonds to be eventually redeemed before the maturity dates will not be material.

3 Capital commitments

As at 31 December 2022, the major capital commitments the Group had signed but not paid amounted to RMB 7,540 million (31 December 2021: RMB 10,141 million). Additionally, as at 31 December 2022, 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 10,312 million (31 December 2021: RMB 5,331 million).

As at 31 December 2022, the major capital commitments the Group had approved but not signed amounted to RMB 5,330 million (31 December 2021: RMB 5,131 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 830 million (31 December 2021: RMB 506 million).

4 Legal proceedings

As at 31 December 2022, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 196 and 209, respectively. The corresponding amount involved was about RMB 7,800 million and RMB 314 million, respectively, the possibility of loss for other cases were assessed as not large (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).

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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 2022, the balance of entrusted loan business was RMB 67,363 million (As at 31 December 2021: RMB 76,427 million).

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1 Major shareholders holding more than 5% shares of the Bank

As at 31 December 2022 and 31 December 2021, 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 31 December, 2022 and 2021, other shareholders exerting significant influence on the Bank include:

	Direct shareholding percentage	Major Business
China National Tobacco Corporation Jiangsu Branch	0.78%	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 (excluding independent directors in both parties) or senior executives.

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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:

Amounts of significant transactions from 1 January 2022 to 31 December 2022 are listed below:	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
Interest income	–	–	54	70	1	125	0.04%
Interest expense	(500)	(28)	(1,316)	(208)	(1)	(2,053)	1.24%
Net fee and commission income	1	34	4	7	1	47	0.12%
Investment income	–	230	(15)	–	–	215	1.08%
Gains or losses from change of fair value	–	(1)	–	47	–	46	−1.19%
Foreign exchange gains	–	(17)	–	(57)	–	(74)	−1.11%
Operating expenses	(11)	–	(228)	–	–	(239)	0.45%
Other comprehensive income	1	–	–	1	–	2	−0.03%

(Expressed in millions of RMB unless otherwise stated)

Significant item balances at 31 December 2022:	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
Deposits with banks and other financial institutions	–	–	–	75	–	75	0.04%
Loans and advances to customers	–	–	1,555	1,729	23	3,307	0.07%
Derivative financial assets	–	1	–	218	–	219	0.51%
Financial investments:							
– Trading assets	–	–	–	3,316	–	3,316	0.47%
– Debt investments	–	–	–	447	–	447	0.04%
– Other debt investments	101	–	–	51	–	152	0.02%
– Other equity investments	–	–	–	956	–	956	12.15%
Long-term equity investments	–	2,655	–	–	–	2,655	100.00%
Other assets	–	–	2	–	–	2	0.01%
Deposits from banks and other financial institutions	–	(1,289)	(15,097)	(2,496)	–	(18,882)	2.45%
Placements from banks and other financial institutions	–	(174)	–	–	–	(174)	0.07%
Derivative financial liabilities	–	(18)	–	(177)	–	(195)	0.52%
Deposits from customers	(6,197)	(4,066)	(41,256)	(13,534)	(1)	(65,054)	1.33%
Other liabilities	(1)	–	(37)	–	–	(38)	0.10%
Significant off-balance item at 31 December 2022							
Letters of guarantee issued	–	–	107	–	–	107	0.10%
Credit cards commitments	–	–	–	–	12	12	0.01%
Guarantees provided for credit business	–	–	8,639	400	–	9,039	0.32%
Bank acceptance bill	–	–	67	–	–	67	0.01%
Issuing wealth management products funds	–	–	–	1,240	–	1,240	0.13%
Notional principal of derivative financial instruments	–	919	–	59,192	–	60,111	0.98%

Note (1):As at 31 December 2022, 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 2022, China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank.

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Amounts of significant transactions from 1 January 2021 to 31 December 2021 are listed below:	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
Interest income	–	3	79	66	1	149	0.05%
Interest expense	(527)	(27)	(1,194)	(505)	(1)	(2,254)	1.37%
Net fee and commis–sion 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%

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Significant item balances at 31 December 2021:	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
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	–	–	–	616	–	616	0.13%
– Other equity investments	–	–	–	956	–	956	13.50%
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	0.01%
Issuing wealth management products funds	–	–	–	2,006	–	2,006	0.17%
Notional principal of derivative financial instruments	–	1,214	–	75,893	–	77,107	1.31%

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.

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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 2022	31 December 2021
Deposits with banks and other financial institutions	100	226
Placements with banks and other financial institutions	6,751	2,333
Loans and advances to customers	2,203	1,388
Other debt investments	252	–
Deposits to and placements from banks and other financial institutions	13,424	8,473
Derivative financial liabilities	16	–
Deposits from customers	781	1,293
Other current accounts	99	32

Transactions during the year:	2022	2021
Interest income from deposits from banks and other financial institutions	2	2
Interest income from placements from banks and other financial institutions	118	47
Loss from Fair Value Change	16	–
Interest income from loans and advances to cus-tomers	81	60
Interest income from other debt investments	13	–
Interest expenses on deposits from banks and other financial institutions	362	265
Interest expenses on deposits from customers	6	12
Fee and commission income	46	54
Fee and commission expense	1,839	111
Other income	6	–
General and administrative expenses	201	–

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:

	2022	2021
Compensation of key management personnel	20	26

The Compensation of key management personnel are remuneration without social insurance paid in 2022 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 2022, 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
China Tobacco	27,000
Guotai Junan Securities Co., Ltd.	24,600
Shanghai International Group Co., Ltd.	19,790
Bailian Group Co., Ltd.	12,000
China Mobile Communications Group Co.,Ltd	9,000

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 of loss that a customer or counterparty may fail to fulfil an obligation or commitment to the Group.

(1) Credit risk management

(i) Loans

(Expressed in millions of RMB unless otherwise stated)

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 use right	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.

During the reporting period, the Group established a sound long-term mechanism for the prevention and resolution of significant risks, actively prevented and controlled risks in key areas and continued to improve asset quality.

(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.

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.

Grouping of credit risk exposure

To calculate the relevance between ECL allowance and macro-economic indicators, a grouping of exposure is performed for assets with similar credit risk characteristics. In performing this grouping, the Group has obtained sufficient information to ensure the data reliability for statistical purposes and group the credit risk exposure according to the credit risk characteristics such as product types, client types and client industries. The Group re-examines and corrects the reasonableness of the groupings and conduct quantitative and qualitative assessments on a regular basis. When the credit risk characteristics of risk exposures in the portfolio change, the Group shall re-examine the reasonableness of the groupings in a timely manner, and re-group the assets according to the risk characteristics of relevant credit risk exposures when necessary.

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.

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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 2022 and 31 December 2021, 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).

At the end of 2022, the Bank set the weightings for the standard, optimistic and pessimistic microeconomic scenarios in 2023 at 70%, 15% and 15% respectively. The key economic indicators used by the Bank in 2023 are foretasted as: the year-on-year GDP growth rate under the standard, optimistic and pessimistic scenario are 4.5%, 6%, and 3.5% respectively; and for the CPI, 2.5%, 3%, and 2% respectively; for the Broad Money Supply, 8%, 9%, and 7% respectively.

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)

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- 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 2022			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	451,545	-	-	451,545
Deposits with banks and other financial institutions	168,169	-	-	168,169
Placements with banks and other financial institutions	352,434	-	-	352,434
Financial assets purchased under resale agreements	111,411	-	-	111,411
Loans and advances to customers measured at:				
- Amortized cost	4,124,772	114,014	30,804	4,269,590
- FVOCI	467,913	609	15	468,537
Financial investments				
- Debt investments	1,110,862	33,764	52,065	1,196,691
- Other debt investments	638,547	1,304	2,067	641,918
Other financial assets	52,218	204	4,111	56,533
Total	7,477,871	149,895	89,062	7,716,828

	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

(Expressed in millions of RMB unless otherwise stated)

	31 December 2022	31 December 2021
	Maximum exposure to credit risk	Maximum exposure to credit risk
Commitment and guarantee		
Bank acceptance notes	727,909	615,478
Letters of credit issued	235,945	192,254
Letters of guarantee issued	109,469	113,132
Credit cards and other commitments	700,556	643,603
Total	1,773,879	1,564,467

Financial assets not included in impairment assessment

The analysis of maximum credit risk exposure of those financial assets which are not included in expected credit losses assessment are as follows:

	31 December 2022	31 December 2021
	Maximum exposure to credit risk	Maximum exposure to credit risk
Financial investments at fair value through profit or loss		
Trading assets	708,984	526,034
Loans and advances to customers	60,223	46,149
Derivative financial assets	42,829	33,773
Total	812,036	605,956

(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 2022, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 86,212 million (31 December 2021: RMB 88,671 million), in which the loans covered by collaterals are amounting to RMB 33,530 million (31 December 2021: RMB 39,922 million).

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(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.

Investments denominated in RMB	31 December 2022			
	Trading assets	Debt investments	Other debt investments	Total
Medium or long term				
AAA	19,215	568,206	133,477	720,898
AA+ to AA-	2,989	4,101	14,486	21,576
A+ to A-	327	6,117	22,596	29,040
Below A-	726	5,136	28,738	34,600
Short term				
AAA	3,823	10,475	1,188	15,486
AA+ to AA-	518	-	-	518
A or below A	115	1,370	-	1,485
Unrated-Bonds	208,840	601,286	441,433	1,251,559
	236,553	1,196,691	641,918	2,075,162

Investments denominated in RMB	31 December 2021			
	Trading assets	Debt investments	Other debt investments	Total
Medium or long term				
AAA	20,385	512,174	150,073	682,632
AA+ to AA-	3,277	3,667	10,104	17,048
A+ to A-	670	13,438	12,548	26,656
Below A-	3,100	5,003	32,362	40,465
Short term				
AAA	18,084	16,775	-	34,859
AA+ to AA-	2,143	254	212	2,609
A or below A	26	3,080	-	3,106
Unrated-Bonds	64,628	751,797	274,320	1,090,745
	112,313	1,306,188	479,619	1,898,120

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.

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(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 2022				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	410,885	41,178	4,774	252	457,089
Deposits with banks and other financial institutions	91,522	53,320	5,552	17,775	168,169
Placements with banks and other financial institutions	302,308	44,983	329	4,814	352,434
Derivative financial assets	38,160	4,614	3	52	42,829
Financial assets purchased under resale agreements	111,395	16	–	–	111,411
Loans and advances to customers	4,609,625	132,841	38,499	17,385	4,798,350
Financial investments:					
– Trading assets	699,988	8,996	–	–	708,984
– Debt investments	1,174,049	22,410	–	232	1,196,691
– Other debt investments	528,122	106,628	3,740	3,428	641,918
– Other equity investments	7,870	–	–	–	7,870
Other financial assets	29,226	21,730	3,897	1,680	56,533
Total financial assets	8,003,150	436,716	56,794	45,618	8,542,278
Borrowing from central bank	165,133	–	–	–	165,133
Deposits from banks and other financial institutions	729,218	21,707	5,386	14,027	770,338
Placements from banks and other financial institutions	113,492	123,835	13,260	5,875	256,462
Financial liabilities at profit or loss	94,781	–	–	–	94,781
Derivative financial liabilities	36,047	1,460	16	3	37,526
Financial assets sold under repurchase agreement	337,259	8,743	4,166	–	350,168
Deposits from customers	4,636,107	229,607	16,633	11,465	4,893,812
Debt securities issued	1,291,088	33,804	5,412	–	1,330,304
Lease liabilities	6,907	1	859	65	7,832
Other financial liabilities	30,571	1,214	278	1,350	33,413
Total financial liabilities	7,440,603	420,371	46,010	32,785	7,939,769
Net position of financial instruments	562,547	16,345	10,784	12,833	602,509
Currency derivatives	15,543	(12,119)	(6,085)	(6,027)	(8,688)
Credit commitments	1,707,794	55,080	4,890	6,115	1,773,879

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	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

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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 2022		31 December 2021	
	Exchange rate fluctuation %		Exchange rate fluctuation %	
(Decrease)/increase	-1%	1%	-1%	1%
USD against RMB	(32)	32	(32)	32
Other currencies against RMB	(86)	86	(136)	136

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.

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	31 December 2022						
	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	438,508	–	–	–	–	18,581	457,089
Deposits with banks and other finan-cial institutions	129,007	9,308	29,472	–	–	382	168,169
Placements with banks and other financial institutions	28,527	55,096	173,696	91,624	–	3,491	352,434
Derivative financial assets	–	–	–	–	–	42,829	42,829
Financial assets purchased under resale agreements	111,411	–	–	–	–	–	111,411
Loans and advances to customers	1,395,798	630,198	1,770,381	886,827	99,375	15,771	4,798,350
Financial investments:							
Trading assets	16,637	14,019	45,332	34,596	10,930	587,470	708,984
Debt investments	61,446	13,788	109,933	548,664	448,477	14,383	1,196,691
Other debt investments	9,359	25,301	189,497	328,630	82,285	6,846	641,918
Other equity investments	–	–	–	–	–	7,870	7,870
Other financial assets	3,790	–	14,368	–	–	38,375	56,533
Total financial assets	2,194,483	747,710	2,332,679	1,890,341	641,067	735,998	8,542,278
Liabilities							
Borrowing from central bank	9,928	13,211	140,686	–	–	1,308	165,133
Deposits from banks and other financial institutions	638,220	30,507	99,298	21	–	2,292	770,338
Placements from banks and other financial institutions	142,236	71,448	36,817	5,051	239	671	256,462
Trading liabilities	–	–	–	–	–	94,781	94,781
Derivative financial liabilities	–	–	–	–	–	37,526	37,526
Financial assets sold under repurchase agreements	283,601	42,179	24,291	–	–	97	350,168
Deposits from customers	2,834,624	411,040	726,397	854,409	8	67,334	4,893,812
Debt securities issued	63,213	316,452	565,582	257,727	121,091	6,239	1,330,304
Lease liabilities	332	446	2,043	4,674	337	–	7,832
Other financial liabilities	441	230	2,383	–	–	30,359	33,413
Total financial liabilities	3,972,595	885,513	1,597,497	1,121,882	121,675	240,607	7,939,769
Total interest repricing gap	(1,778,112)	(137,803)	735,182	768,459	519,392	495,391	602,509

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	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

Note: Financial assets listed as within 1 month include overdue amount at 31 December 2022 and 31 December 2021 (less provision for impairment).

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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 2022		31 December 2021	
	Interest rate fluctuation (Basis points)		Interest rate fluctuation (Basis points)	
	-100	+100	-100	+100
Increase/(Decrease) in net profit	3,487	(3,487)	(3,987)	3,987
Increase/(Decrease) in other comprehensive income under equity	8,213	(7,703)	8,323	(7,896)

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 senior management of the Bank is responsible for developing appropriate liquidity risk management mechanisms, organisational structures, systems and processes, risk limits, key assumptions for stress test, and emergency plans based on the liquidity risk appetite approved by the board of directors, to ensure the Bank achieves its management objectives. The Asset and Liability Management Committee of the Bank is responsible for reviewing liquidity risk management strategies, risk limits, key assumptions for stress test, 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.

During the reporting period, the Group implemented forward-looking and proactive management of liquidity risk at different levels in accordance with the requirements of overall and structural balance; 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' on and off-balance sheet items, and conducted liquidity risk assessments on both internal and external items of the statement of financial position in a timely manner, and in accordance with the liquidity risk policy and risk limit requirements of the Group, adjust the total amount, structure, and pace of the Group's business development to meet the requirements of liquidity safety through active financing arrangements and asset liability portfolio adjustments.

The table below presents the undiscounted cash flows of the Group under contracts of non-derivative financial assets and liabilities by remaining contractual maturities.

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	31 December 2022							
	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	111,023	171	–	–	–	–	345,895	457,089
Deposits with banks and other financial institutions	126,368	12,329	30,352	–	–	–	–	169,049
Placements with banks and other financial institutions	–	85,770	179,017	96,200	–	–	–	360,987
Financial assets purchased under resale agreements	–	111,474	–	–	–	–	–	111,474
Loans and advances to customers	–	1,170,013	1,303,271	1,341,820	1,494,711	93,584	–	5,403,399
Financial investments:								
Trading assets	568,330	39,621	48,406	38,710	14,595	1,237	19,140	730,039
Debt investments	–	44,470	137,783	665,178	538,692	54,108	–	1,440,231
Other debt investments	–	37,630	205,497	369,450	92,898	806	–	706,281
Other equity investments	–	–	–	–	–	–	7,870	7,870
Other financial assets	39,680	–	–	–	–	7,804	14,403	61,887
Total financial assets	845,401	1,501,478	1,904,326	2,511,358	2,140,896	157,539	387,308	9,448,306
Liabilities								
Borrowing from central bank	–	23,745	144,173	–	–	–	–	167,918
Deposits from banks and other financial institutions	564,341	106,014	101,542	23	–	–	–	771,920
Placements from banks and other financial institutions	–	214,719	37,582	5,672	293	–	–	258,266
Trading liabilities	91,189	–	–	3,099	493	–	–	94,781
Financial assets sold under repurchase agreements	–	326,083	24,471	–	–	–	–	350,554
Deposits from customers	2,117,549	1,172,671	761,414	983,266	10	–	–	5,034,910
Debt securities issued	–	386,202	586,704	341,481	137,072	–	–	1,451,459
Lease liabilities	–	781	2,072	5,069	435	–	–	8,357
Other financial liabilities	28,471	1,292	1,529	1,468	720	–	–	33,480
Total financial liabilities	2,801,550	2,231,507	1,659,487	1,340,078	139,023	–	–	8,171,645
Net liquidity	(1,956,149)	(730,029)	244,839	1,171,280	2,001,873	157,539	387,308	1,276,661
Derivative financial instruments								
– Inflow	–	147,576	127,188	42,081	97	–	–	316,942
– Outflow	–	146,786	124,007	40,822	56	–	–	311,671
Net value of derivative financial instruments	–	790	3,181	1,259	41	–	–	5,271
Credit commitments	674,372	352,583	705,794	44,719	2,640	–	–	1,780,108

(Expressed in millions of RMB unless otherwise stated)

	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

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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 2022 and 31 December 2021 are listed in the following table.

	31 December 2022				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Debt investments	1,196,691	–	807,715	398,823	1,206,538
Financial liabilities:					
Debt securities issued	1,330,304	–	1,321,274	–	1,321,274

	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

(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.

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(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

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Trading assets				
- Fund	443,577	428	876	444,881
- Bonds	1,609	104,312	853	106,774
- Fund trust and asset management plan	-	93,655	5,797	99,452
- Beneficiary certificates of securities companies	-	20,348	-	20,348
- Equity	3,844	-	15,296	19,140
- Interbank Certificates of Deposit	-	5,296	-	5,296
- ABS	-	4,683	-	4,683
- Wealth management products and structed deposits	-	717	1,133	1,850
- Other	-	-	6,560	6,560
Other debt investments				
- Bonds	50,872	490,279	-	541,151
- Interbank Certificates of Deposit	-	91,035	-	91,035
- ABS	-	2,886	-	2,886
Other equity investments				
- Repossessed equity instruments	202	-	2,498	2,700
- Fund	-	-	5,170	5,170
Loans and advances to customers:				
FVOCI				
- Discounted bills	-	399,810	-	399,810
- Trade financing	-	68,727	-	68,727
FVTPL				
- Trade financing	-	50,961	-	50,961
- Discounted bills	-	9,262	-	9,262
Derivative financial assets	-	42,829	-	42,829
Total financial assets	500,104	1,385,228	38,183	1,923,515
Derivative financial liabilities	-	37,526	-	37,526
Trading liabilities				
- Financial liabilities related to precious metals	84,677	-	-	84,677
- Interest of other unitholders in consolidated structured entities	6,430	101	474	7,005
- Financial liabilities related to short selling of bonds	3,099	-	-	3,099
Total financial liabilities	94,206	37,627	474	132,307

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	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Trading assets				
- Fund	392,112	615	2,077	394,804
- Bonds	744	63,378	265	64,387
- Fund trust and asset management plan	-	8,545	6,840	15,385
- Beneficiary certificates of securities companies	-	13,437	-	13,437
- Equity	4,673	-	11,023	15,696
- Interbank Certificates of Deposit	-	9,012	-	9,012
- ABS	-	6,519	-	6,519
- Wealth management products and structed deposits	-	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
- Asset management plan	-	9,198	2	9,200
- ABS	-	5,134	-	5,134
Other equity investments				
- Repossessed equity instruments	394	-	2,514	2,908
- Other	-	-	4,174	4,174
Loans and advances to customers:				
FVOCI				
- Trade financing	-	24,868	-	24,868
- Discounted bills	-	459,324	-	459,324
FVTPL				
- Trade financing	-	19,554	-	19,554
- Discounted bills	-	26,595	-	26,595
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
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

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.

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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 2022	26,672	2	6,688	(514)	32,848
Additions	8,067	–	996	(747)	8,316
Disposals and settlements	(4,466)	(2)	–	634	(3,834)
Total gains/(losses) recorded in profit or loss	242	–	–	153	395
Total gains/(losses) recorded in other comprehensive income	–	–	(16)	–	(16)
31 December 2022	30,515	–	7,668	(474)	37,709
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2022 for the positions held at 31 December 2022	(303)	–	–	37	(266)

	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

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The relevant information of Level 3 of fair value measurement using important unobservable input values is as follows:

	31 December 2022		
	Fair value	Valuation method	Unobservable inputs
Financial investment:			
Trading assets			
- Fund	876	Refer to recent transactions	Liquidity discount
- Bonds	853	Income approach	Discount rate
- Fund trust and asset management plan	5,797	Income approach	Discount rate
- Equity	11,736	Income approach	Discount rate
	3,560	Refer to recent transactions	Liquidity discount
- Wealth management products and structured deposits	1,133	Refer to recent transactions	Liquidity discount
- Other	6,560	Refer to recent transactions	Liquidity discount
	30,515		
Other equity investments			
- Repossessed equity instruments	1,704	Market approach	Liquidity discount P/B ratio
	794	Market Net Worth Method	Liquidity discount
- Other equity investments	956	Market approach	Liquidity discount P/B ratio
	4,093	Market Net Worth Method	Liquidity discount
	121	Income approach	Discount rate
	7,668		
Trading liabilities			
- Interest of other unit holders in consolidated structured entities	474	Note1	Note1

(Expressed in millions of RMB unless otherwise stated)

	31 December 2021		
	Fair value	Valuation method	Unobservable inputs
Financial investment:			
Trading assets			
- Fund	2,077	Refer to recent transactions	Liquidity discount
- Bonds	265	Income approach	Discount rate
- Fund trust and asset management plan	6,840	Income approach	Discount rate
- Equity	6,287	Income approach	Discount rate
	4,736	Refer to recent transactions	Liquidity discount
- 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 debt investments			
- Repossessed equity instruments	1,464	Market approach	Liquidity discount P/B ratio
	924	Refer to recent transactions	Liquidity discount
- Other equity investments	126	Market approach	Liquidity discount P/E ratio
	1,474	Market approach	Liquidity discount P/B ratio
	2,700	Market Net Worth Method	Liquidity discount
	6,688		
Trading liabilities			
- Interest of other unit holders in consolidated structured entities	514	Note1	Note1

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 2022, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

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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 September 2022, 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 2022	31 December 2021
Core tier 1 capital – net	568,299	548,486
Tier 1 capital – net	678,802	658,929
Capital – net	843,761	817,715
Total risk weighted assets	6,182,036	5,835,947
Core tier 1 capital adequacy ratio	9.19%	9.40%
Tier 1 capital adequacy ratio	10.98%	11.29%
Capital adequacy ratio	13.65%	14.01%

(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.

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(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 2022	31 December 2021
Financial investments	579,699	522,642
Discounted bills	105,024	44,167
Bank loans	648	547
Total	685,371	567,356

XIV EVENTS AFTER THE REPORTING DATE

1 Profit distribution plan

The Bank convened the board of directors on 17 April 2023, approved the profit distribution plan for 2022 and submitted it to the annual general meeting for consideration and approval.

2 Disposal of equity investments in subsidiaries

China International Fund Management was jointly established in Year 2004 by Shanghai International Trust, a controlling subsidiary of the bank, and JPMorgan Asset Management U.K. Limited ("JPMorgan Asset (UK)"). Shanghai Trust held 51% of the shares and JPMorgan Asset (UK) held 49%.

According to the asset and equity management regulations of the State-owned Assets Supervision and Administration Commission, in July 2019, Shanghai International Trust publicly listed and transferred 2% of the equity of China International Fund Management on the Shanghai United Assets and Equity Exchange. Afterwards, JPMorgan Asset (UK) was delisted with no less than RMB 241 million. In August 2020, Shanghai International Trust publicly listed and transferred 49% of the equity of China International Fund Management on the Shanghai United Assets and Equity Exchange. Afterwards, JPMorgan Asset (UK) was delisted with no less than RMB 7 billion.

On 19 January 2023, the China Securities Regulatory Commission issued the Reply Regarding Approval on the Change of Shareholders and Actual Controllers of China International Fund Management Co., Ltd. (Zheng Jian Xu Ke [2023] No. 151), approving JPMorgan Asset (UK) to become the main shareholder of China International Fund Management. At the reporting date, the equity transfer of China International Fund Management have been settled.

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.

(Expressed in millions of RMB unless otherwise stated)

Supplementary Information to the Financial Statements
For the year ended 31 December 2022

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:

	2022	2021
Earnings per share before deducting extraordinary gains and losses		
– Net profit attributable to shareholders of the Bank	45,818	47,650
– Basic earnings per share attributable to shareholders of the Bank (in RMB)	1.56	1.62
– Diluted earnings per share attributable to shareholders of the Bank (in RMB)	1.44	1.50
Earnings per share after deducting extraordinary gains and losses		
– Net profit attributable to shareholders of the Bank	45,457	47,197
– Basic earnings per share attributable to shareholders of the Bank (in RMB)	1.55	1.61
– Diluted earnings per share attributable to shareholders of the Bank (in RMB)	1.43	1.48

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:

	2022	2021
Weighted net asset attributable to shareholders of the Bank	574,031	544,491
Before deducting extraordinary gains and losses		
– Net profit attributable to shareholders of the Bank	45,818	47,650
– Weighted average of return on net assets	7.98%	8.75%
After deducting extraordinary gains and losses		
– Net profit attributable to shareholders of the Bank	45,457	47,197
– Weighted average of return on net assets	7.92%	8.67%

(Expressed in millions of RMB unless otherwise stated)

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):

	2022	2021
Government grants	651	856
Profits arising from the disposal of non current assets	84	26
Other non operating expense	(124)	(134)
Tax effect	(174)	(217)
Total	437	531
Including:		
Net amount of extraordinary gains and losses affecting the net profit of the Bank's shareholders	361	453
Net amount of extraordinary gains and losses affecting the net profit of the Group's minority shareholders	76	78

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.


浦发银行
SPD BANK
Hi，我是数字人小浦
欢迎来到浦发银行
ENGAGING WITH YOU
BANKING FOR YOU
金融数字劳动力综合创新应用平台
浦发银行正在打造数字员工系列
A new digital workforce is on the way
财富规划师
智慧柜员
大堂经理
AI培训师
智能客服
数字主播
数字文档审阅员
数字面试官
敬请期待更多数字员工角色
浦发银行致力于用新型技术手段革新金融服务，带来更好的用户体验
SPD Bank dedicates to innovate financial services with fintech solutions for better customer experiences
API
DaaS
Cloud Service
Block Chain
IoT

Independent Auditor's Report

KPMG Huazhen Tongzi NO. 2300077

To 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 283 to 398, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2022, 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 relevant 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 position as at 31 December 2022 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the IASB. 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 ethical requirements regarding audit of financial statements in China, 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.

Independent Auditor's Report
To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.
KPMG Huazhen Tongzi NO. 2300077 *(incorporated in the People's Republic of China with limited liability)*

Key audit matters (continued)

Measurement of expected credit losses ("ECL") for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments	
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**
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 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.	• 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, forward-looking information adjustment and other adjustment factors, and evaluating the reasonableness of key management jugments involved; • 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;

Independent Auditor's Report
To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.
KPMG Huazhen Tongzi NO. 2300077 *(incorporated in the People's Republic of China with limited liability)*

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, economic scenarios and their respective weightings for forward-looking information.	• 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 and adverse press coverage. On the basis of sample selection, we reviewed the business documents, checked the overdue information, inquired customer managers 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)

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
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.	• 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.

Independent Auditor's Report
To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.
KPMG Huazhen Tongzi NO. 2300077 *(incorporated in the People's Republic of China with limited liability)*

Key audit matters (continued)

Consolidation of structured entities	
Refer to Notes II.4(1) and III.37 to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
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.	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;

Key audit matters (continued)

Consolidation of structured entities (continued)

Refer to Notes II.4(1) and III.37 to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
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.	• 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.

Independent Auditor's Report
To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.
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Key audit matters (continued)

Assessment of the fair value of financial instruments	
Refer to Notes II.4(8), II.4(22), II.4(30) described in the accounting policies, and VIII.4 to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
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.	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.

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.

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.

Independent Auditor's Report
To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.
KPMG Huazhen Tongzi NO. 2300077 *(incorporated in the People's Republic of China with limited liability)*

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.

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

17 April, 2023

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Statement of Profit or Loss
For the year ended 31 December 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2022	2021	2022	2021
Interest income		299,520	300,693	293,781	295,132
Interest expense		(165,851)	(164,735)	(162,810)	(161,564)
Net interest income	III.1	133,669	135,958	130,971	133,568
Fee and commission income		37,766	39,847	33,308	35,488
Fee and commission expense		(9,075)	(10,713)	(10,860)	(10,778)
Net fee and commission income	III.2	28,691	29,134	22,448	24,710
Net trading profit or loss	III.3	17,172	20,115	17,735	19,125
Net gains or losses arising from financial investments	III.4	5,313	2,276	5,386	2,332
Other net operating income		3,661	3,417	529	586
Operating expenses	III.5	(56,588)	(53,708)	(51,368)	(48,830)
Impairment losses	III.6	(75,999)	(78,344)	(74,674)	(77,188)
Share of profits from associates and joint ventures		230	223	198	190
Profit before income tax		56,149	59,071	51,225	54,493
Income tax expense	III.7	(4,152)	(5,305)	(2,746)	(4,184)
Net profit		51,997	53,766	48,479	50,309
Net profit attributable to:					
Shareholders of the Bank		51,171	53,003	48,479	50,309
Non-controlling interests		826	763	-	-
Earnings per share attributable to the shareholders of the Bank:					
Basic earnings per share (expressed in RMB)	III.8	1.56	1.62		
Diluted earnings per share (expressed in RMB)	III.8	1.44	1.50		

The notes on pages 283 to 398 attached form 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 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2022	2021	2022	2021
Net profit		51,997	53,766	48,479	50,309
Other comprehensive income	III.34				
Items that may be reclassified to profit or loss					
Other comprehensive income recognised under equity method		–	1	–	1
Changes in fair value of debt investments at fair value through other comprehensive income		(8,145)	(437)	(7,715)	(102)
Credit impairment allowance of debt investments at fair value through other comprehensive income		1,959	(673)	1,915	(439)
Cash flow hedge reserve		(2)	29	(24)	5
Translation differences arising from translation of foreign currency financial statements		376	(101)	(20)	7
Item that will not be reclassified to profit or loss					
Changes in fair value of equity investments designed at fair value through other comprehensive income		(57)	28	(57)	28
Other comprehensive income,net of tax		(5,869)	(1,153)	(5,901)	(500)
Total comprehensive income		46,128	52,613	42,578	49,809
Total comprehensive income attributable to：					
Shareholder of the Bank		45,252	51,848	42,578	49,809
Non-controlling interests		876	765	–	–

The notes on pages 283 to 398 attached form part of these financial statements

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Financial position
as at 31 December 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Assets					
Cash and deposits with central bank	III.9	457,089	420,996	452,719	416,110
Deposits and placements with banks and other financial institutions	III.10	520,603	433,781	516,772	425,421
Precious metals		14,988	13,151	14,988	13,151
Derivative financial assets	III.11	42,829	33,773	42,770	33,756
Financial assets purchased under resale agreements	III.12	111,411	117	111,411	101
Loans and advances to customers	III.13	4,798,350	4,690,954	4,695,040	4,594,234
Financial investments:	III.14				
-Financial investments at fair value through profit or loss		708,984	526,034	636,751	487,998
-Financial investments at amortized cost		1,196,691	1,306,188	1,193,150	1,304,324
-Financial investments at fair value through other comprehensive income		649,788	486,701	641,678	482,376
Investments in associates and joint ventures	III.15	2,655	2,819	2,319	2,513
Investments in controlled subsidiaries		-	-	29,307	24,307
Fixed assets	III.16	37,157	31,487	14,721	11,722
Construction in progress		5,250	7,221	4,471	6,586
Right-of-use assets	III.17	8,022	8,560	7,495	8,118
Intangible assets	III.18	10,349	10,538	8,036	8,239
Goodwill	III.19	6,981	6,981	-	-
Deferred income tax assets	III.20	68,690	58,962	66,867	57,542
Other assets	III.21	64,814	98,494	57,255	92,763
Total assets		8,704,651	8,136,757	8,495,750	7,969,261

The notes on pages 283 to 398 attached form 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 2022
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Liabilities					
Borrowing from central bank		165,133	236,317	164,427	235,223
Deposits and placements from banks and other financial institutions	III.22	1,026,800	1,106,775	951,962	1,035,278
Financial liabilities at fair value through profit or loss	III.23	94,781	31,280	87,776	19,954
Derivative financial liabilities	III.11	37,526	29,528	37,525	29,507
Financial assets sold under repurchase agreements	III.24	350,168	174,219	304,949	170,038
Deposits from customers	III.25	4,893,812	4,463,608	4,861,357	4,431,975
Income tax payable		27,290	25,170	26,701	24,703
Debt securities issued	III.26	1,330,304	1,317,121	1,319,856	1,303,891
Deferred income tax liabilities	III.20	641	638	–	–
Lease liabilities	III.17	7,832	8,451	7,293	7,993
Provisions	III.27	6,230	6,275	6,228	6,272
Other liabilities	III.28	57,359	59,157	48,134	50,076
Total liabilities		7,997,876	7,458,539	7,816,208	7,314,910
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	81,762	81,712	81,712
Surplus reserves	III.32	174,385	159,292	174,385	159,292
General risk reserve	III.33	99,515	90,993	93,500	89,000
Other reserves	III.34	(3,053)	2,821	(3,007)	2,849
Retained earnings	III.35	203,220	193,096	190,909	179,455
Equity attributable to the shareholders of the Bank		697,872	670,007	679,542	654,351
Non-controlling interests		8,903	8,211	–	–
Total equity		706,775	678,218	679,542	654,351
Total liabilities and equity		8,704,651	8,136,757	8,495,750	7,969,261

These financial statements were approved for issue by the Board of Directors of the Bank on 17 April, 2023.

Chairman of the board of the directors: Zheng Yang

President: Pan Weidong

Vice-President temporarily responsible for finance: Liu Yiyan

Head of the finance and accounting department: Li Lianquan

The notes on pages 283 to 398 attached form part of these financial statements.

(Expressed in millions of RMB unless otherwise stated)

Consolidated Statement of Changes in Equity

	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 2022	29,352	112,691	81,762	159,292	90,993	2,821	193,096	670,007	8,211	678,218
Net profit	–	–	–	–	–	–	51,171	51,171	826	51,997
Other comprehensive income	–	–	–	–	–	(5,919)	–	(5,919)	50	(5,869)
Total comprehensive income	–	–	–	–	–	(5,919)	51,171	45,252	876	46,128
Appropriation to surplus reserves and general risk reserves	–	–	–	15,093	8,522	–	(23,615)	–	–	–
Cash dividends paid to ordinary shareholders	–	–	–	–	–	–	(12,034)	(12,034)	–	(12,034)
Cash dividends paid to preference shareholders	–	–	–	–	–	–	(1,559)	(1,559)	–	(1,559)
Interests payment of perpetual bond	–	–	–	–	–	–	(3,794)	(3,794)	–	(3,794)
Other reserves carried forward to retained earnings	–	–	–	–	–	45	(45)	–	–	–
Dividends of subsidiaries	–	–	–	–	–	–	–	–	(184)	(184)
Balance at 31 December 2022	29,352	112,691	81,762	174,385	99,515	(3,053)	203,220	697,872	8,903	706,775

The notes on pages 283 to 398 attached form part of these financial statements.

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

Consolidated Statement of Changes in Equity(continued)

	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 283 to 398 attached form part of these financial statements.

(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 2022	29,352	112,691	81,712	159,292	89,000	2,849	179,455	654,351
Net profit	–	–	–	–	–	–	48,479	48,479
Other comprehensive income	–	–	–	–	–	(5,901)	–	(5,901)
Total comprehensive income	–	–	–	–	–	(5,901)	48,479	42,578
Appropriation to surplus reserves and general risk reserves	–	–	–	15,093	4,500	–	(19,593)	–
Cash dividends paid to ordinary shareholders	–	–	–	–	–	–	(12,034)	(12,034)
Cash dividends paid to preference shareholders	–	–	–	–	–	–	(1,559)	(1,559)
Interests payment of perpetual bond	–	–	–	–	–	–	(3,794)	(3,794)
Other reserves carried forward to retained earnings	–	–	–	–	–	45	(45)	–
Balance at 31 December 2022	29,352	112,691	81,712	174,385	93,500	(3,007)	190,909	679,542

The notes on pages 283 to 398 attached form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity (continued)
For the year ended 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 283 to 398 attached form part of these financial statements.

(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2022	2021	2022	2021
Cash flows from operating activities				
Profit before income tax	56,149	59,071	51,225	54,493
Adjustment for:				
Depreciation and amortization	7,828	7,261	6,598	6,004
Interest expense on lease liability	294	316	283	300
Assets impairment losses	75,999	78,344	74,674	77,188
Interest expense from financing activities	39,212	38,664	38,767	38,163
Interest income from financial investments	(63,129)	(64,623)	(62,585)	(64,144)
Net profit or loss on disposal of fixed assets	(84)	(26)	(12)	(26)
Share of profits from associates and joint ventures	(230)	(223)	(198)	(190)
Unrealized profit or loss on derivative financial instruments	(1,173)	(1,638)	(1,173)	(1,638)
Net profit or loss arising from financial investments	(5,313)	(2,276)	(5,386)	(2,332)
Net trading profit or loss	(4,635)	(9,865)	(5,585)	(9,250)
Foreign exchange gain or loss arising from investing and financing activities	16	(2)	16	(1)
Changes in operating assets：				
Statutory reserves with central bank	5,378	(704)	5,165	(736)
Deposits and placements with banks and other financial institutions	(83,871)	(43,360)	(84,211)	(41,022)
Financial assets held for trading	(17,072)	(5,512)	(30,444)	(600)
Financial assets purchased under resale agreements	66	(57)	67	(58)
Loans and advances to customers	(172,136)	(324,198)	(164,255)	(318,587)
Other operating assets	31,146	11,638	33,274	14,053
Changes in operating liabilities:				
Borrowing from central bank	(70,174)	(37,284)	(69,784)	(36,997)
Deposits and placements from banks and other financial institutions	(80,768)	(257,708)	(84,079)	(273,634)
Financial assets sold under repurchase	175,885	(58,097)	134,847	(55,357)
Deposits from customers	423,422	326,572	422,573	327,094
Other operating liabilities	58,013	35,845	62,687	35,034
Cash generated from / (used in) operating activities before income tax payment	374,823	(247,862)	322,464	(252,243)
Income tax paid	(9,724)	(9,330)	(8,117)	(8,802)
Net cash generated from / (used in) operating activities	365,099	(257,192)	314,347	(261,045)

The notes on pages 283 to 398 attached 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 2022
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2022	2021	2022	2021
Cash flows from investing activities				
Proceeds from disposal and redemption of investments	1,709,002	1,556,457	1,702,286	1,552,560
Investment income received	66,212	73,018	64,672	72,096
Proceeds from disposal of fixed assets	539	425	421	130
Purchase of fixed assets, intangible assets and other long-term assets	(7,999)	(11,285)	(4,051)	(5,595)
Purchase of investment	(1,938,078)	(1,575,875)	(1,881,326)	(1,575,192)
Net cash (used in) / generated from investing activities	(170,324)	42,740	(117,998)	43,999
Cash flows from financing activities				
Proceeds from issurance of bonds and interbank deposits	1,192,526	1,346,368	1,191,019	1,341,374
Repayment of bonds and interbank deposits issued	(1,179,731)	(1,170,787)	(1,175,479)	(1,165,786)
Cash paid for dividends, profit and interest of bond issued	(56,410)	(57,392)	(55,744)	(56,684)
Proceeds from other financing activities	(3,087)	(3,324)	(3,077)	(3,191)
Net cash (used in) / generated from financing activities	(46,702)	114,865	(43,281)	115,713
Effect of exchange rate changes on cash and cash equivalents	8,105	(2,905)	7,601	(3,730)
Net increase / (decrease) in cash and cash equivalents	156,178	(102,492)	160,669	(105,063)
Cash and cash equivalents at the beginning of the year	216,126	318,618	207,552	312,615
Cash and cash equivalents at the end of the year	372,304	216,126	368,221	207,552
Cash flows from operating activities include:				
Interest received	253,038	248,518	245,166	241,904
Interest paid	(120,011)	(113,391)	(117,417)	(110,780)
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Composition of cash and cash equivalents：				
Cash	5,544	5,470	5,403	5,338
Surplus resrves with central bank	105,479	73,454	103,168	70,405
Deposits and placements with banks and other financial institutions with original maturities no more than three months	149,915	137,167	148,284	131,791
Financial assets purchased under resale agreements with original maturities no more than three months	111,366	35	111,366	18
Total	372,304	216,126	368,221	207,552

The notes on pages 283 to 398 attached 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, trust services, wealth management business 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"), financial assets measured at fair value through other comprehensive income ("FVOCI") and precious metals and commodities held for trading, 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 Group has adopted the following amendments to the IFRS issued by the IASB in the current year.

• *Amendments to IFRS 3 – Reference to the Conceptual Framework*

• *Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract*

• *Amendments to IAS 16 – Property, Plant and Equipment – any proceeds received before it reaches ready-to-use condition*

• *Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 –* Annual Improvements to IFRS Standards 2018 – 2020 Cycle

The above amended IFRSs that are effective in 2022 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 issued but not yet effective standards and amendments in the financial statements.

- IFRS 17(1) – Insurance Contracts and amendments
- Amendments to IAS 1 and IFRS Practice Statement 2(1) – Disclosure of accounting policies
- Amendments to IFRS 8(1) – Definition of accounting estimate
- Amendments to IFRS 12(1) – Deferred tax related to assets and liabilities arising from single transaction
- Amendments to IFRS 16(2) – Lease liabilities in sale and leaseback transactions
- Amendments IAS 1 (2020)(2) – Liability classified as current or non-current
- Amendments IAS 1 (2022) (2) – Non-current liabilities with contractual conditions
- Amendments to IFRS 10 and IAS 28(3) – 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 2023.
(2) Effective for accounting periods beginning on or after 1 January 2024.
(3) Effective date has been indefinitely deferred.

The adoption of the aforesaid amendments did not have any material impact 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 Group 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 a financial liability designated at fair value through profit or loss (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

Convertible instruments containing an equity component

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 perpetual bonds with unfixed terms

At initial recognition, the Group classifies the preference shares, perpetual bond issued 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 bond issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and perpetual bond issued 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 bond issued 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 bond are 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.

(Expressed in millions of RMB unless otherwise stated)

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.

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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

Expenditures incurred with a beneficial period of over one year are recognised as long-term deferred expenses. Long-term deferred expenses are stated in the statement of financial position at cost less accumulated amortisation and impairment losses.

(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 (see Note II.4(22)) 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 V, contingencies and commitments 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 when employees provide services, the amount accrued or paid by employees shall be recognized as a liability, and included in 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 specified when the assets are available for use by the customer in a contract 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 components, 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 II.4(20).

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 II.4(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 VIII. 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, and assess the recoverable amount generated by the asset group or combination of asset groups. Information of impairment tests on the Group's goodwill is set out in Note III.19.

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).

(Expressed in millions of RMB unless otherwise stated)

III NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

1. Net interest income

	The Group		The Bank	
	2022	2021	2022	2021
Interest income				
Loans and advances to customers				
–Corporate loans	96,127	91,588	91,888	87,618
–Retail loans	110,209	112,530	109,314	111,599
–Discounted bills	10,585	14,428	10,585	14,428
Financial investments				
–at amortiazed cost	45,430	46,765	45,349	46,732
–at fair value through other comprehensive income	16,534	17,858	16,070	17,412
Deposits from and placements with banks and other financial institutions	12,914	9,520	12,883	9,372
Deposits with central bank	5,599	5,734	5,570	5,701
Financial assets purchased under resale agreements	2,122	2,270	2,122	2,270
Subtotal	299,520	300,693	293,781	295,132
Interest expense				
Deposits from customers	(96,828)	(84,867)	(96,005)	(84,028)
Debt securities issued	(39,212)	(38,664)	(38,767)	(38,163)
Deposits to and placements from banks and other financial institutions	(20,125)	(29,771)	(18,366)	(27,964)
Borrowing from central bank	(5,982)	(7,500)	(5,968)	(7,476)
Financial assets sold under repurchase agreements	(3,704)	(3,933)	(3,704)	(3,933)
Subtotal	(165,851)	(164,735)	(162,810)	(161,564)
Net interest income	133,669	135,958	130,971	133,568

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2. Net fee and commission income

	The Group		The Bank	
	2022	2021	2022	2021
Fee and commission income				
Fees from bank cards	14,403	12,863	14,402	12,862
Custodian and other fiduciary activities commissions	11,222	13,657	7,100	9,761
Agency commissions	4,090	4,799	4,090	4,798
Fees from investment banking activities	3,775	3,694	3,595	3,501
Credit commitment fees	2,093	2,300	2,092	2,298
Settlement and clearing fees	992	971	992	971
Others	1,191	1,563	1,037	1,297
Subtotal	37,766	39,847	33,308	35,488
Fee and commission expense	(9,075)	(10,713)	(10,860)	(10,778)
Net fee and commission income	28,691	29,134	22,448	24,710

3. Net trading gains and losses

	The Group		The Bank	
	2022	2021	2022	2021
Financial investments measured at FVTPL	14,257	15,052	14,865	14,065
Exchange gains and losses	6,692	813	6,648	810
Non-foreign exchange derivative financial instruments	3,191	2,789	3,191	2,789
Hedged bonds	(497)	(491)	(497)	(491)
Precious metals	(6,935)	1,749	(6,935)	1,749
Others	464	203	463	203
Total	17,172	20,115	17,735	19,125

4. Net gains and losses arising from financial investments

	The Group		The Bank	
	2022	2021	2022	2021
Financial investments at amortized cost	2,683	1,010	2,683	1,010
Financial investments measured at FVOCI	2,509	1,214	2,457	1,143
Dividend income	121	52	246	179
Total	5,313	2,276	5,386	2,332

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5. Operating expenses

	The Group		The Bank	
	2022	2021	2022	2021
Staff costs				
- Short-term employee benifits	23,801	23,292	21,650	21,383
- Post-employment benifits	2,690	2,503	2,513	2,393
- Other long-term employee benefits	2,446	2,605	2,329	2,297
Subtotal	28,937	28,400	26,492	26,073
Depreciation and amortization	6,801	6,226	6,598	6,004
Business tax and surcharges	2,059	2,004	1,953	1,922
Others	18,791	17,078	16,325	14,831
Total	56,588	53,708	51,368	48,830

6. Impairment losses

	The Group		The Bank	
	2022	2021	2022	2021
Loans and advances to customers	65,143	64,542	64,005	63,444
Others	10,856	13,802	10,669	13,744
Total	75,999	78,344	74,674	77,188

7. Income tax expense

	The Group		The Bank	
	2022	2021	2022	2021
Current income tax expense	11,864	11,694	10,127	10,506
Deferred income tax expense	(7,712)	(6,389)	(7,381)	(6,322)
Total	4,152	5,305	2,746	4,184

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	
	2022	2021	2022	2021
Profit before income tax	56,149	59,071	51,225	54,493
Tax calculated at statutory tax rate of the PRC	14,037	14,768	12,806	13,623
Tax effect from other various tax rates adopted by subsidiaries	49	(43)	-	-
Tax effect of non-deductible expenses	982	377	671	319
Tax effect of non-taxable income	(10,035)	(8,768)	(9,841)	(8,743)
Other income tax adjustments	(881)	(1,029)	(890)	(1,015)
Income tax expense	4,152	5,305	2,746	4,184

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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 2022, 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	2022	2021
Profit for the year attributable to shareholders of the Bank	51,171	53,003
Less: Profit for the year attributable to preference shareholders of the Bank	(1,559)	(1,559)
Payment of interests of non-fixed term capital bonds	(3,794)	(3,794)
Profit for the year attributable to the holders of the Bank's share capital	45,818	47,650
Weighted average number of outstanding share capital (million)	29,352	29,352
Basic EPS (RMB)	1.56	1.62

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	2022	2021
Net profit for the current year attributable to shareholders of the Bank	45,818	47,650
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	1,471	1,429
Net profit for the current year attributable to ordinary shareholders of the Bank	47,289	49,079
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)	3,579	3,460
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	32,931	32,812
Diluted earnings per share (RMB)	1.44	1.50

(Expressed in millions of RMB unless otherwise stated)

9. Cash and deposits with central bank

		The Group		The Bank	
	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Cash		5,544	5,470	5,403	5,338
Statutory reserves with central bank	(1)	345,351	339,973	343,433	338,268
Surplus reserves with central bank	(2)	105,479	73,454	103,168	70,405
Fiscal deposits with central bank		544	1,939	544	1,939
Accrued interest		171	160	171	160
Total		457,089	420,996	452,719	416,110

(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 2022	31 December 2021	31 December 2022	31 December 2021
Deposits with domestic banks	108,385	71,746	98,389	62,787
Deposits with overseas banks	58,737	53,693	58,532	52,517
Deposits with domestic non-bank financial institutions	906	255	906	68
Placements with domestic banks	28,367	24,726	28,367	24,726
Placements with overseas banks	38,714	70,276	38,714	70,276
Placements with domestic non-bank financial institutions	282,110	201,157	288,456	201,637
Placements with overseas non-bank financial institutions	80	8,188	134	9,718
Accrued interest	3,873	4,062	3,813	3,985
Less: impairment allowance	(569)	(322)	(539)	(293)
Total	520,603	433,781	516,772	425,421

As at 31 December 2022 and 31 December 2021, the Group's due from and placements with banks and other financial institutions included refundable deposits and risk reserves, and were restricted in usage.

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11. Derivative financial instruments

The Group	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	3,889,642	12,374	(9,973)
Exchange rate derivatives	1,882,807	21,145	(23,554)
Precious metal and other derivatives	332,377	9,310	(3,999)
Total		42,829	(37,526)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	12,048	545	(100)
- Currency swap contracts	–	–	–
Cash flow hedges			
- Interest rate swap contracts	627	34	–
- Currency swap contracts	20,788	134	(148)
Total		713	(248)

	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 and other derivatives	209,031	2,782	(1,070)
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)

(Expressed in millions of RMB unless otherwise stated)

The Bank	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	3,889,015	12,340	(9,989)
Exchange rate derivatives	1,880,130	21,120	(23,537)
Precious metal and other derivatives	332,377	9,310	(3,999)
Total		42,770	(37,525)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	12,048	545	(100)
- Currency swap contracts	-	-	-
Cash flow hedges			
- Currency swap contracts	18,111	109	(131)
Total		654	(231)

	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 and other derivatives	209,031	2,782	(1,070)
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)

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, foreign exchange rates, precious metal price and other market prices relative to their terms, and the fluctuations in the price of the precious metal and other market. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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12. Financial assets purchased under resale agreements

The Group and the Bank	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Bonds	111,366	117	111,366	101
Accrued interest	60	–	60	–
Less: impairment allowance	(15)	–	(15)	–
Total	111,411	117	111,411	101

13. Loans and advances to customers

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Loans and advances to Customers measured at				
- amortized cost (a)	4,371,902	4,255,699	4,262,596	4,153,741
- FVOCI (b)	468,537	484,192	468,537	484,192
- FVTPL (c)	60,223	46,149	60,223	46,149
Subtotal	4,900,662	4,786,040	4,791,356	4,684,082
Accrued interest	16,309	15,257	15,693	14,664
Impairment allowances				
-Loans and advances to customers measured at amortized cost	(118,083)	(110,087)	(111,473)	(104,256)
- Accrued interest of loans and advances to customers measured at amortized cost	(538)	(256)	(536)	(256)
Subtotal	(118,621)	(110,343)	(112,009)	(104,512)
Net loans and advances to customers	4,798,350	4,690,954	4,695,040	4,594,234

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	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
(a)Loans and advances to customers measured at amortized cost				
Corporates loans				
Commercial Loans	2,392,505	2,261,151	2,298,480	2,175,189
Trade finance	85,865	102,155	85,865	102,155
Discounted bills	1,132	1,773	1,132	1,768
Retail loans				
Mortgage loans	872,127	905,974	865,791	898,953
Business loans	445,633	392,104	440,968	387,147
Credit card and overdraft	433,693	416,142	433,693	416,142
Consumer loans and others	140,947	176,400	136,667	172,387
Subtotal	4,371,902	4,255,699	4,262,596	4,153,741
(b)Loans and advances to customers measured at FVOCI				
Corporates loans				
Trade finance	68,727	24,868	68,727	24,868
Discounted bills	399,810	459,324	399,810	459,324
Subtotal	468,537	484,192	468,537	484,192
(c)Loans and advances to customers measured at FVTPL				
Corporates loans				
Trade finance	50,961	19,554	50,961	19,554
Discounted bills	9,262	26,595	9,262	26,595
Subtotal	60,223	46,149	60,223	46,149
Total loans and advances to customers	4,900,662	4,786,040	4,791,356	4,684,082

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13.1 Loans and advances to customers analysed by industry

The Group	31 December 2022		31 December 2021	
	Amount	Rate (%)	Amount	Rate (%)
Corporate loans				
Manufacturing	472,245	9.64	433,936	9.07
Lease and commercial service	469,945	9.59	421,641	8.81
Real estate	322,036	6.57	331,015	6.92
Financial services	235,797	4.81	108,267	2.26
Water conservancy, environment and public facilities management	191,308	3.90	180,796	3.78
Transportation, warehouse and postal services	190,118	3.88	185,778	3.88
Electricity, heat, gas, water production and supply	161,222	3.29	146,184	3.05
Wholesale and retail	159,972	3.26	177,773	3.71
Construction	157,220	3.21	165,645	3.46
Mining	70,194	1.43	78,343	1.64
Information transmission, software and IT services	66,636	1.36	63,203	1.32
Research and technology services	31,425	0.64	37,850	0.79
Culture, sports and entertainment	19,094	0.39	17,770	0.37
Education	14,937	0.30	14,668	0.31
Agriculture, forestry, farming and fishery	14,202	0.29	17,243	0.36
Healthcare and social welfare	12,665	0.26	15,819	0.33
Hotels and catering services	6,652	0.14	7,707	0.16
Residential services, repairs and other services	1,850	0.04	3,217	0.07
Public administration, social assurance and social organization	362	0.01	710	0.01
Others	178	0.01	163	0.01
Subtotal	2,598,058	53.02	2,407,728	50.31
Discounted bills	410,204	8.37	487,692	10.19
Retail loans	1,892,400	38.61	1,890,620	39.50
Total	4,900,662	100.00	4,786,040	100.00

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The Bank	31 December 2022		31 December 2021	
	Amount	(%)	Amount	(%)
Corporate loans				
Manufacturing	456,864	9.53	426,249	9.10
Lease and commercial service	468,176	9.76	420,635	8.98
Real estate	322,019	6.71	330,994	7.07
Financial services	237,548	4.95	110,242	2.35
Water, environment and public facilities management	187,423	3.91	175,158	3.74
Transportation, warehouse and postal services	156,097	3.26	154,032	3.29
Electricity, heat, gas, water production and supply	138,747	2.90	120,657	2.58
Wholesale and retail	156,926	3.28	175,868	3.75
Construction	152,750	3.19	161,763	3.45
Mining	64,988	1.36	73,050	1.56
Information transmission, software and IT services	65,535	1.37	62,391	1.33
Research and technology services	31,258	0.65	37,754	0.81
Culture, sports and entertainment	18,676	0.39	17,107	0.37
Education	14,753	0.31	14,522	0.31
Agriculture, forestry, farming and fishery	10,929	0.23	14,162	0.30
Healthcare and social welfare	12,495	0.26	15,636	0.33
Hotels and catering services	6,508	0.14	7,527	0.16
Residential services, repairs and other services	1,804	0.04	3,146	0.07
Public administration, social assurance and social organization	359	0.01	710	0.02
Others	178	0.01	163	0.01
Subtotal	2,504,033	52.26	2,321,766	49.58
Discounted bills	410,204	8.56	487,687	10.41
Retail loans	1,877,119	39.18	1,874,629	40.01
Total	4,791,356	100.00	4,684,082	100.00

13.2 Loans and advances to customers analysed by collateral type

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Unsecured loans	2,057,153	2,012,057	2,015,028	1,970,107
Guaranteed loans	941,698	779,176	897,598	743,976
Collateralized loans	1,661,258	1,740,296	1,645,324	1,724,164
Pledged loans	240,553	254,511	233,406	245,835
Total	4,900,662	4,786,040	4,791,356	4,684,082

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13.3 Overdue loans and advances to customers

The Group	31 December 2022				
	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	17,264	13,300	2,102	2,067	34,733
Guaranteed loans	6,936	8,290	9,181	2,124	26,531
Collateralized loans	14,916	11,821	10,341	2,037	39,115
Pledged loans	3,586	1,966	1,840	136	7,528
Total	42,702	35,377	23,464	6,364	107,907

	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

The Bank	31 December 2022				
	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	16,337	12,910	2,026	1,272	32,545
Guaranteed loans	6,346	7,663	8,659	2,095	24,763
Collateralized loans	14,749	11,685	10,281	2,025	38,740
Pledged loans	2,570	1,965	1,830	136	6,501
Total	40,002	34,223	22,796	5,528	102,549

	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

The Group and the Bank classify the total loans with principal or interest overdue 1 day above (including 1 day) as overdue loans.

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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 2022		33,081	14,763	62,243	110,087
Transfers during the year:					
– Transfer to stage 1		1,421	(1,243)	(178)	–
– Transfer to stage 2		(1,523)	4,226	(2,703)	–
– Transfer to stage 3		(899)	(7,310)	8,209	–
Net increase during the year	(1)	6,065	12,620	46,190	64,875
Written-offs and disposals during the year		–	–	(64,956)	(64,956)
Recovery of loans and advances written off in previous years		–	–	8,625	8,625
Others		140	–	(688)	(548)
Balance at 31 December 2022		38,285	23,056	56,742	118,083

	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

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The Bank	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2022		30,659	14,112	59,485	104,256
Transfers during the year:					
- Transfer to stage 1		1,399	(1,225)	(174)	-
- Transfer to stage 2		(1,493)	3,588	(2,095)	-
- Transfer to stage 3		(890)	(7,274)	8,164	-
Net increase during the year	(1)	5,602	12,332	45,803	63,737
Written-offs and disposals during the year		-	-	(64,608)	(64,608)
Recovery of loans and advances written off in previous years		-	-	8,573	8,573
Others		47	-	(532)	(485)
Balance at 31 December 2022		35,324	21,533	54,616	111,473

	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

(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.

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(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	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	325	4	190	519
Transfers during the year:				
- to stage 1	–	–	–	–
- to stage 2	–	–	–	–
- to stage 3	–	–	–	–
Net increase/(decrease) during the year	258	(4)	14	268
Written-offs and disposals during the year	–	–	(196)	(196)
Balance at 31 December 2022	583	–	8	591

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

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14. Financial Investments

		The Group		The Bank	
	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Financial investment measured at FVTPL	(a)	708,984	526,034	636,751	487,998
Financial investments measured at amortized cost	(b)	1,196,691	1,306,188	1,193,150	1,304,324
Fnancial investments measured at FVOCI	(c)	649,788	486,701	641,678	482,376
Financial investments, net		2,555,463	2,318,923	2,471,579	2,274,698

(a) Financial investments measured at FVTPL:

		The Group		The Bank	
	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Fund investments		444,881	394,804	425,803	373,007
Trust and asset management plans	(1)	99,452	15,385	58,221	10,309
Government bonds		54,617	34,146	54,454	34,146
Corporate bonds		38,413	16,216	37,744	14,989
Beneficiary certificates of securities companies		20,348	13,437	20,348	13,437
Equity investment		19,140	15,696	11,781	7,882
Bonds issued by financial institutions		8,812	12,236	6,771	10,581
Deposit certificates issued by other financial institutions		5,296	9,012	5,296	9,012
Bonds issued by policy banks		4,932	1,789	4,932	1,789
Assets backed securities ("ABS")		4,683	6,519	4,683	6,409
Wealth management products and structured deposits		1,850	327	203	–
Other investment	(2)	6,560	6,467	6,515	6,437
Total		708,984	526,034	636,751	487,998

(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.

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(b) Financial Investments measured at amortized cost

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Government bonds	563,491	567,605	563,081	567,605
Trust and asset management plans				
- Loans	199,085	253,657	196,703	252,640
- ABS	191,872	195,477	191,872	195,227
- Bill assets	–	695	–	695
- Others	1,907	2,543	1,907	2,543
Bonds issued by policy banks	198,999	200,520	198,999	200,520
Bonds issued by financial institutions	31,910	73,240	31,910	73,240
Corporate bonds	12,381	12,475	12,333	12,475
Deposit certificates issued by other financial institutions	1,656	1,137	1,656	1,137
ABS	261	138	128	138
Beneficiary certificates of securities companies	–	850	–	850
Other debt instrument	177	100	–	–
Subtotal	1,201,739	1,308,437	1,198,589	1,307,070
Accrued interest	14,424	17,527	14,353	17,467
Impairment allowance				
-Principal of financial Investments	(19,431)	(19,743)	(19,752)	(20,200)
-Accrued interest of financial Investments	(41)	(33)	(40)	(13)
Subtotal of impairment allowance	(19,472)	(19,776)	(19,792)	(20,213)
Financial Investments at amortized cost, net	1,196,691	1,306,188	1,193,150	1,304,324

(i) Movement for ECL allowance of the financial investments measured at amortized cost

The Group	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	2,032	640	17,071	19,743
Transfers for the year:				
- to stage 1	118	(118)	–	–
- to stage 2	(143)	143	–	–
- to stage 3	(12)	(134)	146	–
Net increase for the year	112	550	4,972	5,634
Write-offs and disposals during the year	–	–	(5,948)	(5,948)
Others	2	–	–	2
Balance at 31 December 2022	2,109	1,081	16,241	19,431

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	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	2,031	640	17,529	20,200
Transfers for the year:				
- to stage 1	118	(118)	-	-
- to stage 2	(143)	143	-	-
- to stage 3	(12)	(134)	146	-
Net increase for the year	58	525	4,835	5,418
Write-offs and disposals during the year	-	-	(5,868)	(5,868)
Others	2	-	-	2
Balance at 31 December 2022	2,054	1,056	16,642	19,752

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

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(c) Financial investments measured at FVOCI

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Government bonds	250,527	187,196	247,212	187,196
Corporate bonds	103,102	82,762	98,955	80,419
Bonds issued by policy banks	102,645	93,264	102,645	93,264
Deposit certificates issued by other financial institutions	91,035	11,726	91,035	11,726
Bonds issued by financial institutions	84,877	83,847	84,256	81,869
ABS	2,886	5,134	2,886	5,134
Repossessed equity instruments	2,700	2,908	2,700	2,908
Asset management plans	–	9,200	–	9,198
Other equity investment	5,170	4,174	5,170	4,174
Subtotal	642,942	480,211	634,859	475,888
Accrued interest	6,846	6,490	6,819	6,488
Total	649,788	486,701	641,678	482,376

(i) Movements of ECL allowance of financial investments measured at FVOCI:

The Group	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	340	224	640	1,204
Transfers for the year:				
- to stage 1	–	–	–	–
- to stage 2	(11)	11	–	–
- to stage 3	–	(129)	129	–
Net increase for the year	246	114	2,155	2,515
Written-offs	–	–	(65)	(65)
Others	15	7	62	84
Balance at 31 December 2022	590	227	2,921	3,738

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	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	Life-time ECL	Total
Balance at 1 January 2022	318	180	220	718
Transfer for the year:				
- to stage 1	–	–	–	–
- to stage 2	(11)	11	–	–
- to stage 3	–	(129)	129	–
Net increase for the year	209	127	2,162	2,498
Written-offs	–	–	(65)	(65)
Others	14	4	30	48
Balance at 31 December 2022	530	193	2,476	3,199

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life-time ECL	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

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15. Investments in associate and joint ventures

		The Group		The Bank	
	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Investments in joint ventures	III.38(2)	2,319	2,513	2,319	2,513
Investments in associate	III.38(2)	336	306	–	–
Total		2,655	2,819	2,319	2,513

The Group	1 January 2022	Decreased Investment	Net income adjusted by equity method	OCI adjusted by equity method	Declared cash dividends	Other change	31 December 2022
AXA SPDB Investment Managers Co., Ltd.	1,519	(362)	175	–	(46)	–	1,286
SPDB Silcon Valley Bank	994	–	23	–	–	16	1,033
Others	306	–	32	–	(2)	–	336
Total	2,819	(362)	230	–	(48)	16	2,655

	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

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16. Fixed assets

The Group	Plant and buildings	Motor vehicles	Electronic computers and other equipments	Plane and ship equipments	Total
Cost					
1 January 2021	14,184	453	8,874	18,465	41,976
Additions	26	33	1,737	4,954	6,750
Transferred from construction in progress	–	–	19	–	19
Disposals	(71)	(37)	(821)	–	(929)
31 December 2021	14,139	449	9,809	23,419	47,816
Additions	341	25	1,482	3,722	5,570
Transferred from construction in progress	2,942	–	6	–	2,948
Disposals	(137)	(30)	(580)	–	(747)
31 December 2022	17,285	444	10,717	27,141	55,587
Accumulated depreciation					
1 January 2021	(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)
Charge	(473)	(26)	(1,257)	(1,027)	(2,783)
Disposal	111	28	543	–	682
31 December 2022	(5,592)	(350)	(7,356)	(5,132)	(18,430)
Net book value					
31 December 2022	11,693	94	3,361	22,009	37,157
31 December 2021	8,909	97	3,167	19,314	31,487

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The Bank	Plant and buildings	Motor vehicles	Electronic computers and other equipments	Total
Cost				
1 January 2021	13,577	422	8,585	22,584
Additions	20	31	1,683	1,734
Transferred from constructions in progress	–	–	19	19
Disposals	(71)	(36)	(770)	(877)
31 December 2021	13,526	417	9,517	23,460
Additions	341	23	1,441	1,805
Transferred from constructions in progress	2,942	–	6	2,948
Disposals	(8)	(27)	(562)	(597)
31 December 2022	16,801	413	10,402	27,616
Accumulated				
1 January 2021	(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)
Charge	(461)	(25)	(1,229)	(1,715)
Disposals	3	25	530	558
31 December 2022	(5,455)	(325)	(7,115)	(12,895)
Net book value				
31 December 2022	11,346	88	3,287	14,721
31 December 2021	8,529	92	3,101	11,722

As at 31 December 2022, the plant and buildings with original cost of RMB 1,215 million (2021: RMB 677 million) and net book value of RMB 1,126 million (2021: RMB 517 million) were in use by the Group and the Bank while the property right registration were still in progress.

(Expressed in millions of RMB unless otherwise stated)

17. Lease

(1)Right-of-use assets

The Group	Plant & buildings	Equipment & other	Total
Cost			
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
Additions	2,522	33	2,555
Disposals	(2,383)	(19)	(2,402)
31 December 2022	16,998	152	17,150
Accumulated amortisation			
1 January 2021	(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)
Additions	(2,919)	(29)	(2,948)
Disposals	2,238	19	2,257
31 December 2022	(9,046)	(82)	(9,128)
Net book value			
31 December 2022	7,952	70	8,022
31 December 2021	8,494	66	8,560

The Bank	Plant & buildings	Equipment & other	Total
Cost			
1 January 2021	15,662	176	15,838
Additions	2,817	22	2,839
Disposals	(2,365)	(60)	(2,425)
31 December 2021	16,114	138	16,252
Additions	2,322	33	2,355
Disposals	(2,313)	(19)	(2,332)
31 December 2022	16,123	152	16,275
Accumulated amortisation			
1 January 2021	(7,737)	(96)	(7,833)
Additions	(2,526)	(33)	(2,559)
Disposals	2,201	57	2,258
31 December 2021	(8,062)	(72)	(8,134)
Additions	(2,795)	(29)	(2,824)
Disposals	2,159	19	2,178
31 December 2022	(8,698)	(82)	(8,780)
Net book value			
31 December 2022	7,425	70	7,495
31 December 2021	8,052	66	8,118

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(2)Lease liabilities

The analysis by remaining maturity date as follows：

The Group	31 December 2022	31 December 2021
Within 3 months	782	793
3 months to 1 year	2,075	2,152
1 year to 5 years	5,058	5,576
More than 5 years	442	634
Total undiscounted lease liabilities	8,357	9,155
Book value of lease liabilities at year-end	7,832	8,451

The Bank	31 December 2022	31 December 2021
Within 3 months	738	753
3 months to 1 year	1,965	2,068
1 year to 5 years	4,767	5,297
More than 5 years	324	513
Total undiscounted lease liabilities	7,794	8,631
Book value of lease liabilities at year-end	7,293	7,993

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18.Intangible assets

The Group	Land use rights	Software and others	Brand and franchise right	Total
Cost				
1 January 2021	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
Additions	–	1,455	–	1,455
Disposals	–	(1)	–	(1)
31 December 2022	6,800	10,080	2,236	19,116
Accumulated				
1 January 2021	(627)	(4,972)	–	(5,599)
Amortization	(173)	(1,382)	–	(1,555)
Disposals	–	30	–	30
31 December 2021	(800)	(6,324)	–	(7,124)
Amortization	(174)	(1,470)	–	(1,644)
Disposals	–	1	–	1
31 December 2022	(974)	(7,793)	–	(8,767)
Net book value				
31 December 2022	5,826	2,287	2,236	10,349
31 December 2021	6,000	2,302	2,236	10,538

The Bank	Land use rights	Software and others	Total
Cost			
1 January 2021	6,797	6,251	13,048
Additions	–	1,541	1,541
Disposals	–	(1)	(1)
31 December 2021	6,797	7,791	14,588
Additions	–	1,414	1,414
Disposals	–	(1)	(1)
31 December 2022	6,797	9,204	16,001
Accumulated			
1 January 2021	(627)	(4,187)	(4,814)
Amortization	(173)	(1,363)	(1,536)
Disposals	–	1	1
31 December 2021	(800)	(5,549)	(6,349)
Amortization	(173)	(1,444)	(1,617)
Disposals	–	1	1
31 December 2022	(973)	(6,992)	(7,965)
Net book value			
31 December 2022	5,824	2,212	8,036
31 December 2021	5,997	2,242	8,239

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19. Goodwill

	31 December 2022	31 December 2021
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 2022 and 2021
Shanghai International Trust	4,739
Subsidiaries of Shanghai International Trust – China International Fund Management Co., Ltd ("China International Fund Management")	1,630
– Others	612
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.

As at 31 December 2022, the recoverable balance of Shanghai International Trust asset group was determined according to the fair value less costs of disposal. The management believes that this method is more representative compared to the cash flow models used in previous years in the context of greater uncertainty faced by the domestic market environment. The management selected comparable company cases and evaluated the fair value of Shanghai International Trust asset group with a price to book value ratio method, and corrected the price to book value ratio according to specific risk factors.

For the China International Fund Management asset group in the subsidiaries, the management determined the recoverable balance according to the fair value less costs of disposal determined in the relevant signed equity transfer agreement. For other subsidiary asset groups, the management calculate the relevant recoverable amount with cash flow models.

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 2022	31 December 2021	31 December 2022	31 December 2021
Deferred income tax assets	68,690	58,962	66,867	57,542
Deferred income tax liabilities	(641)	(638)	–	–

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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 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	250,428	62,606	227,429	56,857
Fair value changes of derivative financial instruments	37,528	9,382	29,528	7,382
Employee benefits payable	9,128	2,282	7,770	1,943
Provisions	6,230	1,558	6,275	1,569
Fair value changes of assets measured at FVOCI	12,639	3,160	5,026	1,218
Fair value changes of assets and liabilities measured at FVTPL	1,744	436	1,466	357
Fair value changes of precious metals and commodities	3,237	809	–	–
Others	6,543	1,637	6,004	1,501
Subtotal	327,477	81,870	283,498	70,827
Offset amounts		(13,180)		(11,865)
Deferred income tax assets after offsetting		68,690		58,962

	31 December 2022		31 December 2021	
	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	(42,770)	(10,693)	(33,773)	(8,443)
Fair value changes of financial investment measured at FVOCI	(3,818)	(955)	(7,051)	(1,763)
Fair value changes of assets and liabilities measured at FVTPL	(5,598)	(1,400)	(6,302)	(1,571)
Differences between fair value and carrying amount of identifiable net assets arising from business combinations of entities not under common control	(2,460)	(615)	(2,544)	(636)
Fair value changes of precious metals and commodities	(517)	(129)	(354)	(88)
Others	(117)	(29)	(8)	(2)
Subtotal	(55,280)	(13,821)	(50,032)	(12,503)
Offset amounts		13,180		11,865
Deferred tax liabilities after offsetting		(641)		(638)

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The Bank	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	245,518	61,379	223,468	55,867
Fair value changes of derivative financial instruments	37,525	9,381	29,507	7,377
Employee benefits payable	7,624	1,906	7,566	1,892
Provision	6,228	1,557	6,272	1,568
Fair value changes of assets measured at FVOCI	11,955	2,989	4,396	1,099
Fair value changes of assets and liabilities measured at FVTPL	2,256	564	1,355	339
Fair value changes of precious metals and commodities	3,233	808	–	–
Others	5,847	1,463	4,998	1,249
Subtotal	320,186	80,047	277,562	69,391
Offset amounts		(13,180)		(11,849)
Deferred tax liabilities after offsetting		66,867		57,542

	31 December 2022		31 December 2021	
	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	(42,770)	(10,693)	(33,756)	(8,439)
Fair value changes of financial investment measured at FVOCI	(3,818)	(955)	(7,051)	(1,763)
Fair value changes of assets and liabilities measured at FVTPL	(5,598)	(1,400)	(6,236)	(1,559)
Fair value changes of precious metals and commodities	(517)	(129)	(354)	(88)
Others	(13)	(3)	–	–
Subtotal	(52,716)	(13,180)	(47,397)	(11,849)
Offset amounts		13,180		11,849
Deferred tax liabilities after offsetting		–		–

20.3 The movement of the deferred income tax account is as follows:

		The Group		The Bank	
	Note	2022	2021	2022	2021
Balance at the beginning of the year		58,324	51,669	57,542	51,049
Charged to profit or loss	III.7	7,712	6,389	7,381	6,322
Charged to other comprehensive income	III.34	2,013	266	1,944	171
Balance at the end of the year		68,049	58,324	66,867	57,542

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21. Other assets

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Suspense accounts	25,423	66,394	25,417	66,384
Margin deposits	14,403	14,355	14,403	14,355
Other receivables	11,400	4,983	9,298	3,842
Prepayment for land-use rights and constructions	4,654	4,256	1,675	2,150
Interest receivable	3,787	4,065	3,784	4,065
Payments to Trust Protection Fund	1,520	1,819	–	–
Long-term deferred expenses	1,398	1,180	1,335	1,118
Repossessed assets	444	612	374	555
Others	1,785	830	969	294
Total	64,814	98,494	57,255	92,763

22. Deposits and placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deposits from domestic banks	198,159	208,531	205,763	215,512
Deposits from overseas banks	3,220	1,478	3,220	1,478
Deposits from domestic non-bank financial institutions	551,064	702,353	555,781	703,484
Deposits from overseas non-bank financial institutions	15,603	9,888	15,993	10,230
Placements from domestic banks	195,752	139,511	120,253	70,053
Placements from overseas banks	56,443	40,244	48,047	32,579
Placements from domestic non-bank financial institutions	3,596	2,600	200	–
Accrued interest	2,963	2,170	2,705	1,942
Total	1,026,800	1,106,775	951,962	1,035,278

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23. Financial liabilities measured at FVTPL

		The Group		The Bank	
	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Financial liabilities related to precious metals		84,677	18,861	84,677	18,861
Financial liabilities related to short selling of bonds		3,099	1,093	3,099	1,093
Interest of other unitholders in consolidated structured entities	(1)	7,005	11,326	–	–
Total		94,781	31,280	87,776	19,954

(1) The Group designated interests attributable to other unit holders in consolidated structured entities as financial liabilities measured at FVTPL. As at 31 December 2022 and 31 December 2021, 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 2022	31 December 2021	31 December 2022	31 December 2021
Bonds	242,281	130,170	200,109	125,989
Discounted bills	104,743	44,016	104,743	44,016
Deposit certificates issued by other financial institutions	3,047	–	–	–
Accrued interest	97	33	97	33
Total	350,168	174,219	304,949	170,038

25. Deposits from customers

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Current deposits				
–corporate	1,656,442	1,745,409	1,649,899	1,738,847
–retail	413,721	340,312	410,761	337,563
Time deposits				
–corporate	1,836,412	1,631,948	1,833,261	1,628,886
–retail	917,007	682,684	898,395	664,599
Other deposits	2,896	2,703	2,828	2,676
Subtotal	4,826,478	4,403,056	4,795,144	4,372,571
Accrued interest	67,334	60,552	66,213	59,404
Total	4,893,812	4,463,608	4,861,357	4,431,975

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26. Debt securities issued

	Note	The Group		The Bank	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Interbank deposit certificates and deposit certificates issued	(1)	887,197	900,375	887,197	900,375
Bonds issued					
Subordinated bond issued in 2012	(2)	–	12,000	–	12,000
2018 Tier II First Financial Bond	(3)	20,000	20,000	20,000	20,000
2018 Tier II Second Financial Bond	(4)	20,000	20,000	20,000	20,000
2019 First Special Financial Bond for Small and Micro Enterprise Loans	(5)	–	50,000	–	50,000
2020 Tie II First Financial bond	(6)	32,000	32,000	32,000	32,000
2020 Tier II Second Financial Bond	(7)	8,000	8,000	8,000	8,000
2020 Tier II Third Financial Bond	(8)	30,000	30,000	30,000	30,000
2020 Tier II Fourth Financial Bond	(9)	10,000	10,000	10,000	10,000
2020 First Financial Bond	(10)	50,000	50,000	50,000	50,000
2021 First Financial Bond	(11)	60,000	60,000	60,000	60,000
2021 Second Financial Bond	(12)	40,000	40,000	40,000	40,000
2022 First Financial Bond (Variety I)	(13)	25,000	–	25,000	–
2022 First Financial Bond (Variety II)	(13)	5,000	–	5,000	–
2022 Second Financial Bond	(14)	30,000	–	30,000	–
2022 Third Financial Bond	(15)	30,000	–	30,000	–
Hong Kong medium-term note	(16)	10,122	11,513	10,122	11,513
Singapore medium-term note	(17)	2,085	1,912	2,085	1,912
London medium-term note	(18)	2,781	1,912	2,781	1,912
SPDB Convertible corporate bonds	(19)	49,998	49,998	49,998	49,998
2019 First SPDB Financial Leasing Financial Bond	(20)	–	2,000	–	–
2019 Second SPDB Financial Leasing Financial Bond	(21)	–	2,000	–	–
2020 Tier II SPDB Financial Leasing Financial Bond	(22)	1,100	1,100	–	–
2020 SPDB Financial Leasing Financial Bond	(23)	2,800	3,000	–	–
2021 SPDB Financial Leasing Financial Green Bond	(24)	3,000	3,000	–	–
2021 First SPDB Financial Leasing Financial Bond	(25)	2,000	2,000	–	–
2022 First SPDB Financial Leasing Financial Bond	(26)	1,450	–	–	–
Subtotal		435,336	410,435	424,986	397,335
Add: Unamortized issue cost and others		1,532	459	1,546	479
Debt securities issued		436,868	410,894	426,532	397,814
Accrued interest		6,239	5,852	6,127	5,702
Total		1,330,304	1,317,121	1,319,856	1,303,891

(1)As at 31 December 2022, the Group issued a total of 153 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 1.85% to 2.65% (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%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2022, the number of deposit certificates publicly issued but not yet expired were 92 in total, with the longest term to maturity being 365 days and interest rates falling within a range from 0% to 5.66% (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%).

(2)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. The Bank has already redeemed the entire portion of bond.

(3)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.

(4)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.

(5)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%.

(6)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.

(7)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.

(8)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.

(9)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.

(10)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%.

(11)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%.

(12)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%.

(13)The Bank issued "2022 First Financial Bond (Variety I)" in the amount of RMB 25 billion and "2022 First Financial Bond (Variety II)" in the amount of RMB 5 billion in the domestic inter-bank market on 21 January 2022. Both bonds have a term of 3 years through maturity, with a fixed annual coupon rate of 2.69%.

(14)The Bank issued "2022 Second Financial Bond" in the amount of RMB 30 billion in the domestic inter-bank market on 24 February 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.78%.

(15)The Bank issued "2022 Third Financial Bond" in the amount of RMB 30 billion in the domestic inter-bank market on 9 November 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.45%.

(16)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 HKD 2 billion medium-term notes and USD 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 medium-term notes notes totaling USD 300 million on the Singapore Exchange on 19 January 2021; the notes have a term of 3 years and a fixed coupon rate of 1.056% per annum.

(18)The Bank issued USD 300 million medium-term notes on 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, which matured on 29 October 2022. The Bank issued USD 400 million medium-term notes on London Stock Exchange on 14 July 2022 which has a term of 3 years through maturity, with a fixed coupon rate of 3.25% per annum.

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(19)As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB 50 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 2022, a total of RMB 1,376,000 covertible corporate bonds were converted to ordinary shares of the Bank, and the accumulated numbers of shares converted were 93,773, 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	3,431	-	3,431
Converted bonds in the prior years	(2)	-	(2)
Balance at 1 January 2022	50,565	2,782	53,347
Amortisation in the current period	1,157	-	1,157
Balance at 31 December 2022	51,722	2,782	54,504

(20)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%.

(21)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%.

(22)SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued 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.

(23)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%. As at 31 December 2022, the actual issuance of the Group was RMB 2.8 billion.

(24)SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2021 Green 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%.

(25)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%.

(26)SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued "2022 First Financial Bond (Freight and logistics)" in the amount of RMB 1.5 billion in the domestic inter-bank market on 8 July 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.93%. As at 31 December 2022, the actual issuance of the Group was RMB 1.45 billion.

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27. Provisions

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Impairment allowance for financial guarantees and loan commitments	6,229	6,274	6,227	6,271
Others	1	1	1	1
Total	6,230	6,275	6,228	6,272

28. Other liabilities

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Suspense accounts	25,634	25,001	25,628	24,998
Employee benefits payable	12,672	14,865	10,764	13,068
VAT and other taxes payable	4,923	5,259	4,366	4,202
Advance from performance deposits and other deposits	3,175	3,288	217	202
Contract liabilities	3,238	3,140	2,690	2,545
Accrued expenses	2,414	2,758	2,402	2,748
Others	5,303	4,846	2,067	2,313
Total	57,359	59,157	48,134	50,076

29. Share capital

The Group and the Bank	31 December 2022	31 December 2021
Domestic listed RMB ordinary shares (A shares)	29,352	29,352

A shares issued by the Bank are all ordinary shares, 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 2022	31 December 2021
Other equity instruments included in the tier 1 capital of the Bank– the equity components 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 2022, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2021: 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

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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 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 domestic 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 with unfixed terms.

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" ([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.

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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 2022	31 December 2021	31 December 2022	31 December 2021
Share premium	81,691	81,691	81,691	81,691
Other capital surplus				
- Capital increase of subsidiaries	50	50	-	-
- Others	21	21	21	21
Total	81,762	81,762	81,712	81,712

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 31 December, 2022, about RMB 1,376,000 of convertible corporate bonds had been converted into A-share ordinary shares, accumulatively increasing the bank's share capital to 93,773 shares, and increasing the Bank's share capital premium accordingly.

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32. Surplus reserves

The Group and The Bank	1 January 2022	Addition	31 December 2022
Statutory reserve	22,206	–	22,206
Discretionary reserve	137,086	15,093	152,179
Total	159,292	15,093	174,385

	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

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 2022	Addition	31 December 2022
General risk reserve	90,993	8,522	99,515

	1 January 2021	Addition	31 December 2021
General risk reserve	79,640	11,353	90,993

The Bank	1 January 2022	Addition	31 December 2022
General risk reserve	89,000	4,500	93,500

	1 January 2021	Addition	31 December 2021
General risk reserve	78,000	11,000	89,000

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.

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34. Other reserves

The Group	Opening balance of other comprehensive income attributable to the Bank's Shareholders	for the year from 1 January 2022 to 31 December 2022						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 shareholdes after tax	Internal transfer of owner's equity	
Items that may be reclassified to profit or loss								
Debt instruments measured at FVOCI								
- Fair value changes	1,039	(8,291)	(2,509)	2,655	(8,145)	–	–	(7,106)
- Impairment allowance	1,417	2,867	(261)	(647)	1,959	–	–	3,376
Translation differences arising from translation of foreign currency financial statements	(15)	376	–	–	335	41	–	320
Cash flow hedge reserve	17	(3)	–	1	(11)	9	–	6
Others	1	–	–	–	–	–	–	1
Item that will not be reclassified to profit or loss								
Change in fair value of other equity instruments								
- Fair value changes	362	(61)	–	4	(57)	–	45	350
	2,821	(5,112)	(2,770)	2,013	(5,919)	50	45	(3,053)

	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							
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
Translation differences arising from translation of foreign currency financial statements	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

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The Bank	Opening balance of other comprehensive income attributable to the Bank's Shareholders	for the year from 1 January 2022 to 31 December 2022					Ending balance of other comprehensive income attributable to the Bank's Shareholders
		Transfer in before tax	Less: transfer out	Less: income tax	After tax	Internal transfer of owner's equity	
Items that may be reclassified to profit or loss							
Debt instruments measured at FVOCI							
– Fair value changes	1,574	(7,828)	(2,457)	2,570	(7,715)	–	(6,141)
– Impairment allowance	929	2,814	(261)	(638)	1,915	–	2,844
Translation differences arising from translation of foreign currency financial statements	(24)	(20)	–	–	(20)	–	(44)
Cash flow hedge reserve	7	(32)	–	8	(24)	–	(17)
Others	1	–	–	–	–	–	1
Item that will not be reclassified to profit or loss							
Change in fair value of other equity instruments							
– Fair value changes	362	(61)	–	4	(57)	45	350
	2,849	(5,127)	(2,718)	1,944	(5,901)	45	(3,007)

	Opening balance of other comprehensive income	for the year from 1 January 2021 to 31 December 2021				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						
Debt instruments 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
Translation differences arising from translation of foreign currency financial statements	(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

35. Profit appropriations

(1)Profit distribution for the year ended 31 December 2021

Pursuant to the approval at the Shareholders' meeting on 17 June 2022, the Bank's profit distribution plan for the year ended 31 December 2021 is as follows:

(i)The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 15,093 million;

(ii)Appropriate RMB 4.5 billion as general reserve;

(iii)The Bank declared and distributed cash dividends of RMB 4.1 (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 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.

(3)Dividend distribution for preference shares

On 27 October 2022, 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 5 December 2022, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 26 January 2022, 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 2022, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

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%).

(4)Interests payment of capital bonds with unfixed terms

In November 2022, 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 2022, 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 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.

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 2022, the Group transferred financial assets amounted to RMB 26,434 million through assets backed securitization transactions, and all have met the requirement of derecognition (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).

As at 31 December 2022, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 35,874 million (31 December 2021: RMB 35,874 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 2022, the assets value of the Group's continued recognition was RMB 4,650 million (31 December 2021: RMB 4,650 million).

Transfer of loans assets

For the year ended 31 December 2022, the Group directly transferred and derecognized a total amount of RMB 11,385 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 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).

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 2022, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 67,632 million (31 December 2021: RMB 40,639 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.

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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:

Carrying amount	The Group	
	31 December 2022	31 December 2021
Financial investments measured at FVTPL		
Fund investments	443,879	394,604
Capital trust and asset management plans	95,101	11,395
Equity investments	10,371	7,281
ABS	4,656	6,518
Wealth management products and structured deposit	–	10
Other investments	6,560	6,467
Financial investments measured at amortised cost		
Capital trust and asset management plans	372,761	433,573
ABS	207	127
Financial investments measured at FVOCI		
ABS	2,886	5,134
Asset management plans	–	9,198
Repossessed equity instruments	828	828

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 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 2022, the amount of assets held by the unconsolidated wealth management products, which are sponsored by the Group, were RMB 980,263 million (31 December 2021: RMB 1,170,405 million).

During the year of 2021 and 2022, the amount of the average exposure of financing transactions through reverse repurchase agreements from the Group with wealth management products sponsored by the Group was RMB Nil million.

As at 31 December 2022, the amount of assets held by the unconsolidated capital trust plans, which are sponsored by the Group, were RMB 305,463 million (31 December 2021: RMB 387,901 million).

As at 31 December 2022, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 201,225 million (31 December 2021: RMB 265,135 million).

As at 31 December 2022, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 136,737 million (31 December 2021: RMB 197,136 million).

In 2022, the Group's commission income from providing services to the wealth management products and Trust plans was RMB 5.199 billion and RMB 2.494 billion, respectively. (In 2021: RMB 6.980 billion and 2.784 billion).The commission income from other non-consolidated structured entities managed by the Group is not material.

(3)Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2022

There were no wealth management products sponsored and issued by the Group after 1 January 2022 and matured before 31 December 2022 (The aggregated amount of the wealth management products sponsored and issued by the Group after 1 January 2021 but matured before 31 December 2021 is not material).

The total amount of ABS issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB 502 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 no trust plans or investments in funds issued by the Group after 1 January 2022 and expired before 31 December 2022.

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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%
SPDB Wealth Management Co., Ltd.	Shanghai	Shanghai	Establishment	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%

As of the date of the statement of financial position, 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.. In January 2023, the Bank has entered into equity transfer agreement with other shareholders of Tianjin Baodi SPD Rural Bank Co., Ltd., and the direct shareholding percentage of the Bank increased to 51%.

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

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	2022									
	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	129,807	87,333	33,612	38,822	25,017	30,028	9,539	11,416	(66,054)	299,520
Including: External interest income	116,547	62,922	24,403	25,566	24,456	26,919	8,241	10,466	–	299,520
Internal interest income	13,260	24,411	9,209	13,256	561	3,109	1,298	950	(66,054)	–
Interest expense	(86,559)	(53,102)	(23,248)	(25,260)	(12,779)	(18,100)	(5,511)	(7,354)	66,062	(165,851)
Including: External interest expense	(54,828)	(45,298)	(14,154)	(21,501)	(10,326)	(8,755)	(4,675)	(6,314)	–	(165,851)
Internal interest expense	(31,731)	(7,804)	(9,094)	(3,759)	(2,453)	(9,345)	(836)	(1,040)	66,062	–
Net interest income	43,248	34,231	10,364	13,562	12,238	11,928	4,028	4,062	8	133,669
Net fee and commission income / (expense)	14,519	4,130	2,608	1,003	340	(666)	180	6,579	(2)	28,691
Net trading income	13,407	1,202	448	757	374	432	146	412	(6)	17,172
Net gains or losses arising from financial investments	5,386	–	–	–	–	–	–	(73)	–	5,313
Other operating income / (expense)	103	146	19	90	16	108	9	3,379	(209)	3,661
Operating expenses	(19,022)	(11,312)	(4,222)	(5,312)	(4,100)	(4,760)	(1,858)	(6,211)	209	(56,588)
Impairment losses	(35,643)	(8,218)	(4,196)	(2,838)	(7,928)	(14,028)	(1,391)	(1,757)	–	(75,999)
Share of profits from associates and joint ventures	198	–	–	–	–	–	–	32	–	230
Total segment profit / (loss) before tax	22,196	20,179	5,021	7,262	940	(6,986)	1,114	6,423	–	56,149

	31 December 2022									
	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	553,520	1,538,543	611,277	631,186	515,155	570,421	189,937	190,514	(2,203)	4,798,350
Total segment assets	4,700,936	2,454,245	754,000	958,945	576,903	621,781	266,418	441,247	(2,069,824)	8,704,651
Deposits from customers	82,640	2,101,837	621,945	846,142	489,845	444,747	205,831	101,606	(781)	4,893,812
Total segment assets	4,048,318	2,434,215	748,895	951,537	575,835	628,896	265,383	414,621	(2,069,824)	7,997,876
Net position of segment assets and liabilities	652,618	20,030	5,105	7,408	1,068	(7,115)	1,035	26,626	–	706,775

(Expressed in millions of RMB unless otherwise stated)

	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 / (expense)	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 or losses 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 from 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

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V CONTINGENCIES AND COMMITMENTS

1. Credit commitments

The Group's credit commitments are listed as follows:

	31 December 2022	31 December 2021
Bank acceptance bills	729,985	617,735
Letters of credit issued	236,245	192,522
Letters of guarantee issued	109,643	113,363
Credit cards and loan commitments	704,235	647,121
Total	1,780,108	1,570,741

2. Commitment on redemption of 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 in advance and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest. As at 31 December 2022, the outstanding principal value of the commitment on redemption treasury bonds sold by the Group amounted to RMB 7,781 million (31 December 2021: RMB 11,668 million). The original maturities of these treasury bonds vary from three to five years. The management expects the amount of bonds to be eventually redeemed before the maturity date will not be material.

3. Capital commitments

As at 31 December 2022, the major capital commitments the Group had signed but not paid amounted to RMB 7,540 million (31 December 2021: RMB 10,141 million). Additionally, as at 31 December 2022, 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 10,312 million (31 December 2021: RMB 5,331 million).

As at 31 December 2022, the major capital commitments the Group had approved but not signed amounted to RMB 5,330 million (31 December 2021: RMB 5,131million). 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 830 million (31 December 2021: RMB 506 million).

4. Legal proceedings

As at 31 December 2022, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 196 and 209, respectively. The corresponding amount involved was about RMB 7,800 million and RMB 314 million, respectively, the possibility of loss for other cases were assessed as not large (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).

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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 2022, the balance of entrusted loan business was RMB 67,363 million (As at 31 December 2021: RMB 76,427 million).

VII RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Major shareholders holding more than 5% shares of the Bank

As at 31 December 2022 and 31 December 2021, 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 31 December, 2022 and 2021, other shareholders exerting significant influence on the Bank include:

	Direct shareholding percentage	Major Business
China National Tobacco Corporation Jiangsu Branch	0.78%	Tobacco products

3. Subsidiaries

For general information of the Group's subsidiaries, please refer to Note III. 38(1) "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 (excluding independent directors in both parties) or senior executives.

(Expressed in millions of RMB unless otherwise stated)

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:

Amounts of significant transactions from 1 January 2022 to 31 December 2022 are listed below:	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
Interest income	–	–	54	70	1	125	0.04%
Interest expense	(500)	(28)	(1,316)	(208)	(1)	(2,053)	1.24%
Net Fee and commission income	1	34	4	7	1	47	0.12%
Net trading income	–	(18)	(15)	(10)	–	(43)	-0.25%
Share of profits from associates and joint ventures	–	230	–	–	–	230	100.00%
Operating expenses	(11)	–	(228)	–	–	(239)	0.42%
Other comprehensive income	1	–	–	1	–	2	-0.03%

(Expressed in millions of RMB unless otherwise stated)

	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 2022:							
Deposits and placements with banks and other financial institutions	–	–	–	75	–	75	0.01%
Loans and advances to customers	–	–	1,555	1,729	23	3,307	0.07%
Derivative financial assets	–	–	–	218	–	218	0.51%
Financial investments measured at:							
– Financial investments measured at FVTPL	–	–	–	3,316	–	3,316	0.47%
– Financial investments mearsured at amortized cost	–	–	–	447	–	447	0.04%
– FVOCI	101	–	–	1,007	–	1,108	0.17%
Investments in associates and Joint Ventures	–	2,655	–	–	–	2,655	100.00%
Other Assets	–	–	2	–	–	2	0.01%
Deposits and placements from banks and other financial institutions	–	(1,463)	(15,097)	(2,496)	–	(19,056)	1.86%
Derivative financial liabilities	–	(18)	–	(177)	–	(195)	0.52%
Deposits from customers	(6,197)	(4,066)	(41,256)	(13,534)	(1)	(65,054)	1.33%
Other liabilities	(1)	–	(37)	–	–	(38)	0.07%
Significant off-balance item at 31 December 2022							
Letters of guarantee issued	–	–	107	–	–	107	0.10%
Credit card commitment	–	–	–	–	12	12	0.01%
Guarantees provided for credit business	–	–	8,639	400	–	9,039	0.32%
Bank acceptance bills	–	–	67	–	–	67	0.01%
Investment of funds for issuing financial products	–	–	–	1,240	–	1,240	0.13%
Notional principal of derivative financial instruments	–	919	–	59,192	–	60,111	0.98%

Note1: As of 31 December 2022, key management of the Bank possessed a total number of 1,290,600 shares of common stock issued by the bank and regularly received corresponding cash dividends.

Note2: On 31 December 2022, China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank

(Expressed in millions of RMB unless otherwise stated)

Amounts of significant transactions from 1 January 2021 to 31 December 2021 are listed below:	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
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 from associates and joint ventures	–	223	–	–	–	223	100.00%
Operating expenses	(7)	–	(109)	–	–	(116)	0.23%
Other comprehensive income	–	–	–	(17)	–	(17)	1.47%

(Expressed in millions of RMB unless otherwise stated)

	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%
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%
Notional principal of derivative financial instruments	–	1,214	–	75,893	–	77,107	1.31%

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

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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 2022	31 December 2021
Deposits and placements with banks and other financial institutions	6,851	2,559
Loans and advances to customers	2,203	1,388
Financial investment measured at FVOCI	252	–
Deposits and placements from banks and other financial institutions	13,424	8,473
Derivative financial liabilities	16	–
Deposits from customers	781	1,293
Others	99	32

Transactions during the year:	2022	2021
Interest income from deposits and placemets from banks and other financial institutions	120	49
Net trading loss	16	–
Interest income from loans and advances to customers	81	60
Interest income from financial investment measured at FVOCI	13	–
Interest expenses on deposits from banks and other financial institutions	362	265
Interest expenses on deposits from customers	6	12
Fee and commission income	46	54
Fee and commission expense	1,839	111
Other operating net income	6	–
Operating expenses	201	–

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:

	2022	2021
Compensation of key management personnel	20	26

The Compensation of key management personnel are remuneration without social insurance paid in 2022 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 2022, the newly added major credited related transationsbetween the Bank and related parties outside the Group are as follows:

Related Parties	Total credit limit to related partiesand other companies in their group
China National Tobacco Corporation	27,000
Guotai Junan Securities Co., Ltd.	24,600
Shanghai International Group Co., Ltd.	19,790
Bailian Group Co., Ltd.	12,000
China Mobile Communications Group Co.,Ltd	9,000

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 of loss that a customer or counterparty may fail to fulfil an obligation or commitment to the Group.

(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.

(Expressed in millions of RMB unless otherwise stated)

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 use right	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 according to the "Guidelines for Risk-based Loan Classification" (the "Guideline") (Yin Jian Fa [2007] No. 54) and the "Guidelines for Risk-based Loan Classification".The five categories including: pass, special-mention, substandard, doubtful and loss, among which loans with the grading of substandard, doubtful and loss are regarded as non-performing loans.

During the reporting period, the Group established a sound long-term mechanism for the prevention and resolution of significant risks, actively prevented and controlled risks in key areas and continued to improve asset quality.

(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.

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.

Grouping of credit risk exposure

To calculate the relevance between ECL allowance and macro-economic indicators, a grouping of exposure is performed for assets with similar credit risk characteristics. In performing this grouping, the Group has obtained sufficient information to ensure the data reliability for statistical purposes and group the credit risk exposure according to the credit risk characteristics such as product types, client types and client industries. The Group re-examines and corrects the reasonableness of the groupings and conduct quantitative and qualitative assessments on a regular basis. When the credit risk characteristics of risk exposures in the portfolio change, the Group shall re-examine the reasonableness of the groupings in a timely manner, and re-group the assets according to the risk characteristics of relevant credit risk exposures when necessary.

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

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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, 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 2022 and 31 December 2021, 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).

At the end of 2022, the Bank set the weightings for the standard, optimistic and pessimistic microeconomic scenarios in 2023 at 70%, 15% and 15% respectively. The key economic indicators used by the Bank in 2023 are foretasted as: the year-on-year GDP growth rate under the standard, optimistic and pessimistic scenario are 4.5%, 6%, and 3.5% respectively; and for the CPI, 2.5%, 3%, and 2% respectively; for the Broad Money Supply, 8%, 9%, and 7% respectively.

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:

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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 2022			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	451,545	–	–	451,545
Deposits and placements with banks and other financial institutions	520,603	–	–	520,603
Financial assets purchased under resale agreements	111,411	–	–	111,411
Loans and advances to customers measured at				
– Amortized cost	4,124,772	114,014	30,804	4,269,590
– FVOCI	467,913	609	15	468,537
Financial investments measured at				
– Amortized cost	1,110,862	33,764	52,065	1,196,691
– FVOCI	638,547	1,304	2,067	641,918
Other financial assets	52,218	204	4,111	56,533
Total	7,477,871	149,895	89,062	7,716,828

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	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 2022	31 December 2021
	Maximum exposure to credit risk	Maximum exposure to credit risk
Commitment and guarantee		
Bank acceptance notes	727,909	615,478
Letters of credit issued	235,945	192,254
Letters of guarantee issued	109,469	113,132
Credit cards and other commitments	700,556	643,603
Total	1,773,879	1,564,467

Financial assets not included in impairment assessment

The analysis of maximum credit risk exposure of those financial assets which are not included in expected credit losses assessment are as follows:

	31 December 2022	31 December 2021
	Maximum exposure to credit risk	Maximum exposure to credit risk
Financial investments measured at FVTPL	708,984	526,034
Loans and advances to customers	60,223	46,149
Derivative financial assets	42,829	33,773
Total	812,036	605,956

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(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 2022, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 86,212 million (31 December 2021: RMB 88,671 million), in which the loans covered by collaterals are amounting to RMB 33,530 million (31 December 2021: RMB 39,922 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 2022			
	Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
Medium or long term				
AAA	19,215	568,206	133,477	720,898
AA+ to AA-	2,989	4,101	14,486	21,576
A+ to A-	327	6,117	22,596	29,040
Below A-	726	5,136	28,738	34,600
Short term				
AAA	3,823	10,475	1,188	15,486
AA+ to AA-	518	-	-	518
A and below A	115	1,370	-	1,485
Unrated-Bonds	208,840	601,286	441,433	1,251,559
	236,553	1,196,691	641,918	2,075,162

	31 December 2021			
	Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
Medium or long term				
AAA	20,385	512,174	150,073	682,632
AA+ to AA-	3,277	3,667	10,104	17,048
A+ to A-	670	13,438	12,548	26,656
Below A-	3,100	5,003	32,362	40,465
Short term				
AAA	18,084	16,775	-	34,859
AA+ to AA-	2,143	254	212	2,609
A and below A	26	3,080	-	3,106
Unrated-Bonds	64,628	751,797	274,320	1,090,745
	112,313	1,306,188	479,619	1,898,120

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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.

(Expressed in millions of RMB unless otherwise stated)

	31 December 2022				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	410,885	41,178	4,774	252	457,089
Deposits and placements with banks and other financial institutions	393,830	98,303	5,881	22,589	520,603
Derivative financial assets	38,160	4,614	3	52	42,829
Financial assets purchased under resale agreements	111,395	16	–	–	111,411
Loans and advances to customers	4,609,625	132,841	38,499	17,385	4,798,350
Financial investments:					
– FVTPL	699,988	8,996	–	–	708,984
– AC	1,174,049	22,410	–	232	1,196,691
– FVOCI	535,992	106,628	3,740	3,428	649,788
Other financial assets	29,226	21,730	3,897	1,680	56,533
Total financial assets	8,003,150	436,716	56,794	45,618	8,542,278
Borrowing from central bank	165,133	–	–	–	165,133
Deposits and placements from banks and other financial institutions	842,710	145,542	18,646	19,902	1,026,800
Financial liabilities measured at FVTPL	94,781	–	–	–	94,781
Derivative financial liabilities	36,047	1,460	16	3	37,526
Financial assets sold under repurchase agreement	337,259	8,743	4,166	–	350,168
Deposits from customers	4,636,107	229,607	16,633	11,465	4,893,812
Debt securities issued	1,291,088	33,804	5,412	–	1,330,304
Lease Liabilities	6,907	1	859	65	7,832
Other financial liabilities	30,571	1,214	278	1,350	33,413
Total financial liabilities	7,440,603	420,371	46,010	32,785	7,939,769
Net position of financial instruments	562,547	16,345	10,784	12,833	602,509
Currency derivatives	15,543	(12,119)	(6,085)	(6,027)	(8,688)
Credit commitments	1,707,794	55,080	4,890	6,115	1,773,879

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	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

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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 2022		31 December 2021	
	Exchange rate fluctuation %		Exchange rate fluctuation %	
(Decrease) / Increase	-1%	1%	-1%	1%
USD against RMB	(32)	32	(32)	32
Other currencies against RMB	(86)	86	(136)	136

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.

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	31 December 2022						
	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	438,508	–	–	–	–	18,581	457,089
Deposits and placements with banks and other financial institutions	157,534	64,404	203,168	91,624	–	3,873	520,603
Derivative financial assets	–	–	–	–	–	42,829	42,829
Financial assets purchased under resale agreements	111,411	–	–	–	–	–	111,411
Loans and advances to customers	1,395,798	630,198	1,770,381	886,827	99,375	15,771	4,798,350
Financial investments measured at:							
– FVTPL	16,637	14,019	45,332	34,596	10,930	587,470	708,984
– Amortized cost	61,446	13,788	109,933	548,664	448,477	14,383	1,196,691
– FVOCI	9,359	25,301	189,497	328,630	82,285	14,716	649,788
Other financial assets	3,790	–	14,368	–	–	38,375	56,533
Total financial assets	2,194,483	747,710	2,332,679	1,890,341	641,067	735,998	8,542,278
Liabilities							
Borrowing from central bank	9,928	13,211	140,686	–	–	1,308	165,133
Deposits and placements from banks and other financial institutions	780,456	101,955	136,115	5,072	239	2,963	1,026,800
Financial liabilities measured at FVTPL	–	–	–	–	–	94,781	94,781
Derivative financial liabilities	–	–	–	–	–	37,526	37,526
Financial assets sold under repurchase agreements	283,601	42,179	24,291	–	–	97	350,168
Deposits from customers	2,834,624	411,040	726,397	854,409	8	67,334	4,893,812
Debt securities issued	63,213	316,452	565,582	257,727	121,091	6,239	1,330,304
Lease Liabilities	332	446	2,043	4,674	337	–	7,832
Other financial liabilities	441	230	2,383	–	–	30,359	33,413
Total financial liabilities	3,972,595	885,513	1,597,497	1,121,882	121,675	240,607	7,939,769
Total interest repricing gap	(1,778,112)	(137,803)	735,182	768,459	519,392	495,391	602,509

(Expressed in millions of RMB unless otherwise stated)

	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

Note: The above financial assets listed as within one month include overdue amounts as of 31 December, 2022 and 31 December, 2021 (excluding impairment provisions).

(Expressed in millions of RMB unless otherwise stated)

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 2022		31 December 2021	
	Interest rate fluctuation (Basis points)		Interest rate fluctuation (Basis points)	
	-100	+100	-100	+100
Increase / (decrease) in net profit	3,487	(3,487)	(3,987)	3,987
Increase / (decrease) in other comprehensive income under equity	8,213	(7,703)	8,323	(7,896)

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 senior management of the Bank is responsible for developing appropriate liquidity risk management mechanisms, organisational structures, systems and processes, risk limits, key assumptions for stress test, and emergency plans based on the liquidity risk appetite approved by the board of directors, to ensure the Bank achieves its management objectives. The Asset and Liability Management Committee of the Bank is responsible for reviewing liquidity risk management strategies, risk limits, key assumptions for stress test, 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.

During the Reporting Period, the Group implemented forward-looking and proactive management of liquidity risk at different levels in accordance with the requirements of the balance in the total amount and structure; 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 conducted liquidity risk assessments on both internal and external items of the statement of financial position in a timely manner, and in accordance with the liquidity risk policy and risk limit requirements of the Group, adjust the total amount, structure, and pace of the Group's business development to meet the requirements of liquidity safety through active financing arrangements and asset liability portfolio adjustments.

The table below presents the undiscounted cash flows of the Group under contracts of non-derivative financial assets and liabilities by remaining contractual maturities.

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	31 December 2022							
	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	111,023	171	–	–	–	–	345,895	457,089
Deposits and placements with banks and other financial institutions	126,368	98,099	209,369	96,200	–	–	–	530,036
Financial assets purchased under resale agreements	–	111,474	–	–	–	–	–	111,474
Loans and advances to customers	–	1,170,013	1,303,271	1,341,820	1,494,711	93,584	–	5,403,399
Financial investments measured at:								
– FVTPL	568,330	39,621	48,406	38,710	14,595	1,237	19,140	730,039
– Amortized cost	–	44,470	137,783	665,178	538,692	54,108	–	1,440,231
– FVOCI	–	37,630	205,497	369,450	92,898	806	7,870	714,151
Other financial assets	39,680	–	–	–	–	7,804	14,403	61,887
Total financial assets	845,401	1,501,478	1,904,326	2,511,358	2,140,896	157,539	387,308	9,448,306
Liabilities								
Borrowing from central bank	–	23,745	144,173	–	–	–	–	167,918
Deposits and placements from banks and other financial institutions	564,341	320,733	139,124	5,695	293	–	–	1,030,186
Financial liabilities measured at FVTPL	91,189	–	–	3,099	493	–	–	94,781
Financial assets sold under repurchase agreements	–	326,083	24,471	–	–	–	–	350,554
Deposits from customers	2,117,549	1,172,671	761,414	983,266	10	–	–	5,034,910
Debt securities issued	–	386,202	586,704	341,481	137,072	–	–	1,451,459
Lease Liabilities	–	781	2,072	5,069	435	–	–	8,357
Other financial liabilities	28,471	1,292	1,529	1,468	720	–	–	33,480
Total financial liabilities	2,801,550	2,231,507	1,659,487	1,340,078	139,023	–	–	8,171,645
Net liquidity	(1,956,149)	(730,029)	244,839	1,171,280	2,001,873	157,539	387,308	1,276,661
Derivative financial instruments								
– Inflow	–	147,576	127,188	42,081	97	–	–	316,942
– Outflow	–	146,786	124,007	40,822	56	–	–	311,671
Net value of derivative financial instruments	–	790	3,181	1,259	41	–	–	5,271
Credit commitments	674,372	352,583	705,794	44,719	2,640	–	–	1,780,108

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	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

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 2022 and 31 December 2021 are listed in the following table.

(Expressed in millions of RMB unless otherwise stated)

	31 December 2022				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial investment measured at amortized cost	1,196,691	–	807,715	398,823	1,206,538
Financial liabilities:					
Debt securities issued	1,330,304	–	1,321,274	–	1,321,274

	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

(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 financial investments measured at amortized cost 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.

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(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 2022			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	443,577	428	876	444,881
- Bonds	1,609	104,312	853	106,774
- Fund trust and asset management plan	-	93,655	5,797	99,452
- Beneficiary certificates	-	20,348	-	20,348
- Equity	3,844	-	15,296	19,140
- Interbank Certificates of Deposit	-	5,296	-	5,296
- ABS	-	4,683	-	4,683
- Wealth management products	-	717	1,133	1,850
- Other	-	-	6,560	6,560
Financial investments measured at FVOCI				
- Bonds	50,872	490,279	-	541,151
- Interbank Certificates of Deposit	-	91,035	-	91,035
- ABS	-	2,886	-	2,886
- Repossessed equity instruments	202	-	2,498	2,700
- Other equity investments	-	-	5,170	5,170
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	399,810	-	399,810
- Trade financing	-	68,727	-	68,727
FVTPL				
- Trade financing	-	50,961	-	50,961
- Discounted bills	-	9,262	-	9,262
Derivative financial assets	-	42,829	-	42,829
Total financial assets	500,104	1,385,228	38,183	1,923,515
Derivative financial liabilities	-	37,526	-	37,526
Financial liabilities measured at FVTPL				
- Financial liabilities related to precious metals	84,677	-	-	84,677
- Interest of other unit holders in consolidated structured entities	6,430	101	474	7,005
- Financial liabilities associated with short selling of bonds	3,099	-	-	3,099
Total financial liabilities	94,206	37,627	474	132,307

(Expressed in millions of RMB unless otherwise stated)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	392,112	615	2,077	394,804
- Bonds	744	63,378	265	64,387
- Fund trust and asset management plan	-	8,545	6,840	15,385
- Beneficiary certificates	-	13,437	-	13,437
- Equity	4,673	-	11,023	15,696
- Interbank Certificates of Deposit	-	9,012	-	9,012
- 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
- Interbank Certificates of Deposit	-	11,726	-	11,726
- Asset management plan	-	9,198	2	9,200
- ABS	-	5,134	-	5,134
- Repossessed equity instruments	394	–	2,514	2,908
- Other equity investments	-	-	4,174	4,174
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

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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 2022	26,672	6,690	(514)	32,848
Additions	8,067	996	(747)	8,316
Disposals and settlements	(4,466)	(2)	634	(3,834)
Total gains / (losses) recorded in profit or loss	242	-	153	395
Total gains / (losses) recorded in other comprehensive income	-	(16)	-	(16)
31 December 2022	30,515	7,668	(474)	37,709
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2022 for the positions held at 31 December 2022	(303)	-	37	(266)

	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

(Expressed in millions of RMB unless otherwise stated)

The relevant information of Level 3 of fair value measurement using important unobservable input values is as follows:

	31 December 2022		
	Fair value	Valuation method	Unobservable inputs
Financial investments: Financial investments measured at FVTPL			
– Fund	876	Refer to recent transactions	Liquidity discount
– Bonds	853	Income approach	Discount rate
– Fund trust and asset management plan	5,797	Income approach	Discount rate
– Equity	11,736	Income approach	Discount rate
	3,560	Refer to recent transactions	Liquidity discount
– Wealth management products and structured deposits	1,133	Refer to recent transactions	Liquidity discount
– Other	6,560	Refer to recent transactions	Liquidity discount
	30,515		
Financial investments measured at FVOCI			
– Repossessed equity instruments	1,704	Market approach	Liquidity discount P/B ratio
	794	Net assets value method	Liquidity discount
– Other equity investments	956	Market approach	Liquidity discount P/B ratio
	4,093	Net assets value method	Liquidity discount
	121	Income approach	Discount rate
	7,668		
Financial liabilities measured at FVTPL			
– Interest of other unit holders in consolidated structured entities	474	Note1	Note1

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	31 December 2021		
	Fair value	Valuation method	Unobservable inputs
Financial investments: Financial investments measured at FVTPL			
- Fund	2,077	Refer to recent transactions	Liquidity discount
- Bonds	265	Income approach	Discount rate
- Fund trust and asset management plan	6,840	Income approach	Discount rate
- Equity	6,287	Income approach	Discount rate
	4,736	Refer to recent transactions	Liquidity discount
- Other	6,467	Refer to recent transactions	Liquidity discount
	26,672		
Financial investments measured at FVOCI			
- Asset management plan	2	Income approach	Discount rate
- Repossessed equity instruments	1,464	Market approach	Liquidity discount P/B ratio
	924	Refer to recent transactions	Liquidity discount
	126	Market approach	Liquidity discount P/E ratio
- Other equity investments	1,474	Market approach	Liquidity discount P/B ratio
	2,700	Net assets value method	Liquidity discount
	6,690		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	514	Note1	Note1

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 2022, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

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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 Domestic Banks of Systematic Importance in 2022 Issued by the People's Bank of China and China Banking and Insurance Regulatory Commission ("CBIRC") in September 2022, 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 2022	31 December 2021
Core tier 1 capital - net	568,299	548,486
Tier 1 capital - net	678,802	658,929
Capital - net	843,761	817,715
Total risk weighted assets	6,182,036	5,835,947
Core tier 1 capital adequacy ratio	9.19%	9.40%
Tier 1 capital adequacy ratio	10.98%	11.29%
Capital adequacy ratio	13.65%	14.01%

(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.

(Expressed in millions of RMB unless otherwise stated)

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 2022	31 December 2021
Financial investments	579,699	522,642
Discounted bills	105,024	44,167
Bank loans	648	547
Total	685,371	567,356

X EVENTS AFTER THE REPORTING DATE

1. Profit distribution plan

The Bank convened the board of directors on 17 April 2023, approved the profit distribution plan for 2022 and submitted it to the annual general meeting for consideration and approval.

2. Disposal of equity investments in subsidiaries

China International Fund Management was jointly established in 2004 by Shanghai International Trust, a controlling subsidiary of the bank, and JPMorgan Asset Management U.K. Limited ("JPMorgan Asset (UK)"). Shanghai Trust held 51% of the shares and JPMorgan Asset (UK) held 49%.

According to the asset and equity management regulations of the State-owned Assets Supervision and Administration Commission, in July 2019, Shanghai International Trust publicly listed and transferred 2% of the equity of China International Fund Management on the Shanghai United Assets and Equity Exchange. Afterwards, JPMorgan Asset (UK) was delisted with no less than RMB 241 million. In August 2020, Shanghai International Trust publicly listed and transferred 49% of the equity of China International Fund Management on the Shanghai United Assets and Equity Exchange. Afterwards, JPMorgan Asset (UK) was delisted with no less than RMB 7 billion.

On 19 January 2023, the China Securities Regulatory Commission issued the Reply Regarding Approval on the Change of Shareholders and Actual Controllers of China International Fund Management (Zheng Jian Xu Ke [2023] No. 151), approving JPMorgan Asset (UK) to become the main shareholder of China International Fund Management. At the reporting date, the equity transfer of China International Fund Management have been settled.

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.