

# 2023 ANNUAL REPORT

SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.



## Mission

Finance creates value for better life

## Vision

Develop ourselves into a first-class joint-stock commercial bank with international competitiveness in all aspects

## Core values

Stick to integrity and strive for excellence

**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

## Corporate spirit

Strive with one heart

## Organizational climate

Optimism, plainness, unity and sharing

## Manager image

Righteous, wise, pioneering and responsible

## Employee image

Dedicated, professional, innovative and promising

## Brand proposition

New thinking, heartfelt service

### **Code of clean conduct**

Act with probity, excel with expertise

### **Green initiative**

Low-carbon lifestyle and green future

## 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 68th Meeting of the Seventh Board of Directors held in Shanghai on 26 April 2024, where all directors attended in person and exercised their voting right.
3. The 2023 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. Zhang Weizhong, Chairman of the Board of Directors, Liu Yiyan, Vice President in charge of financial work, 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 RMB3.21 (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 2023, the Bank's ordinary shares totaled 29,352,176,848, based on which the cash dividends to be distributed were calculated in RMB9,422 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.

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## Message from Chairman of the Board of Directors

In 2023, SPD Bank celebrated its 30th anniversary of its founding. Reflecting on the journey of the past three decades, we embraced the noble mission of “forging new paths for the socialist financial cause”, fueled by the fervor of “serving the nation and its people through finance”. Through challenges and triumphs alike, we have persevered with determination and resilience, advancing forward despite the adversities we’ve faced. As the flagship financial enterprise in Shanghai, we have wholeheartedly backed major national strategies, pivotal initiatives in Shanghai, and the development of the real economy. Throughout our journey of facilitating the establishment of a new development pattern, we have achieved our own progress in high-quality development. While persistently driving reforms, fostering innovation, and embracing transformation for further growth, we have established our market competitiveness and brand resonance across many business areas. With a global outlook, we have embarked from Shanghai, entrenched ourselves in the Yangtze River Delta, expanded our footprint nationwide, and ventured globally to realize our vision of operating as a diversified and internationalized conglomerate. Over the past 30 years, every stride we have made is indebted to the loyalty of our customers, the trust and support of our shareholders, and the relentless dedication of our staff. On behalf of the Board of Directors, I would like to extend my sincerest gratitude to all shareholders, customers, and individuals from diverse backgrounds who have demonstrated their care and support for our advancement.

**With courage and determination, we have surmounted challenges and forged new avenues for development.** The past year emerged as a critical juncture in our journey of transformation and growth. Confronted with unprecedented operating pressures, we rose up to challenges, meticulously evaluated our gains and losses, and implemented targeted strategies. Revitalizing our entrepreneurial spirit through initiatives like the “100-day Action” campaign and the resumed “Action in Spring” campaign, we dedicated ourselves to serving the real economy. These concerted efforts yielded remarkable achievements in critical areas such as scientific and technological innovation loans, green loans, manufacturing loans, and loans for strategic emerging industries. Consequently, we witnessed steady expansion in our credit size, marked enhancement in asset quality, and a reassuring trajectory in our overall operational performance, fortifying the groundwork for high-quality development. United in purpose, we confronted obstacles with resolve, and took responsible and decisive actions to amplify our impact and redefine our corporate identity.

**We hold firm confidence in our distinctive traits and strengths, and poised to ignite a fresh momentum of development.** Since joining SPD Bank in September last year, I’ve been deeply impressed by the unwavering dedication to our founding mission and the remarkable enthusiasm for our work exhibited by everyone at the Bank. This experience has significantly enriched my understanding of SPD Bank’s “five advantages”. First, our DNA: From our inception, we have embraced the noble mission of advancing the national drive of reform and opening-up. Today, we stand at the threshold of historic opportunities as Shanghai emerges as a global financial hub. Second, our superior geographic location: With a strategic presence in the Yangtze River Delta region, we’ve built a robust network of institutions and established a solid



business foundation. Third, our efficiency: We boast the ability to swiftly respond to both policy requirements and market dynamics. Fourth, our mechanisms: Our institutional frameworks and management models exhibit remarkable flexibility, enabling us to adapt rapidly to changing circumstances. Fifth, our professionalism: We are an innovative pioneer in a number of business domains. The strength and confidence derived from these inherent advantages serve as potent catalysts propelling us toward sustained and enduring development.

**We keenly identify new avenues for development, ensuring adaptability to prevailing circumstances.** The future is only within our grasp when we possess the foresight to envision it. As we look ahead, comprehending and seizing upon two major macro trends will emerge as pivotal to achieving success. Examining the national developmental landscape, China finds itself at a critical juncture in the new trajectory of socialist modernization, where the engines of economic expansion are transitioning from conventional factors to scientific and technological innovation. Against this backdrop, the financial positioning, its purpose, and the underlying policy rationale have all undergone profound changes. To align with national strategies, we feel obliged to undertake more new missions. These include contributing to the rise of China as a financial powerhouse, developing five priorities of technology finance, green finance, inclusive finance, pension finance and digital finance vigorously, delivering high-quality financial services to the real economy, micro and small enterprises, and the general public, and sparing no efforts to support the building of Shanghai into “five centers”. As the financial industry undergoes evolution, the profound impact of the technological revolution is unmistakable. The relentless wave of digitization, particularly propelled by artificial intelligence (AI), is reshaping financial models, while data emerge as a newfound factor of production. In this dynamic landscape, the path to achieving accelerated growth lies in cultivating a comprehensive understanding of the prevailing situation, devising forward-looking strategies, and implementing targeted measures accordingly.

**We strategize, execute, and achieve success while keeping the big picture in focus.** During this pivotal phase of transformation and growth, we have astutely recognized the prevailing trends, fostered consensus, and taken decisive action to implement a digitalization & intelligentization strategy on all fronts, thereby securing first-mover advantages. In this new era, SPD Bank, now thirty years strong, ascends to the ranks of world-class enterprises, ready to set off again from a fresh starting point.

**This time, we will lead the charge toward high-quality development with high-standard top-level design.** In 2024, we will continue to elevate our political stance, strengthen the leadership of Party building, and advance the in-depth integration of Party building with corporate governance. With every facet of our endeavors centered around Party leadership, the political, ideological, organizational, and disciplinary advantages of Party building will manifest as our competitive edge in executing strategies and driving transformative growth. Guided by a sense of national greatness, we will ensure that finance remains political, people-oriented, and specialized in nature. Moreover, we will continue to improve our corporate governance mechanism within the modern financial system with Chinese characteristics. Embracing a diversity of perspectives and leveraging collective wisdom, we will foster high-quality

development and embed environmental, social, and governance (ESG) principles into our practices, thereby constructing a resilient model of sustainable development.

**This time, we will focus on five priority tracks to comprehensively implement our digitalization & intelligentization strategy.** In 2024, China will advance its strategy of growing into a financial powerhouse and vigorously develop five priorities of technology finance, green finance, inclusive finance, pension finance and digital finance, while Shanghai will move faster to establish itself into “five centers”. In this context, guided by the strategic framework around five priority tracks (technology finance, supply chain finance, inclusive finance, cross-border finance, and wealth and asset management finance), we will adjust, transform, or reshape our traditional businesses by digital and intelligent means, so as to identify new customers, discern new needs, create new products, and build a new ecosystem. At the same time, we will expedite the development of digital infrastructures, products, operations, risk controls, and ecosystems. Our emphasis will be placed on establishing five core systems, namely customer management and service system, data management system, intelligent operation system, product innovation and service system, and risk management system. To achieve this, we will implement four key strategies, namely regional strategy, industry strategy, online strategy, and digital innovation strategy. Furthermore, continuous improvements will be made in three major guarantee systems, namely organizational guarantee, resource guarantee, and policy guarantee. Additionally, meticulous roadmaps will also be devised to ensure the effective implementation of the digitalization & intelligentization strategy.

**This time, we will comprehensively reshape the logic underlying banking operations in the digital era.** In 2024, our focus will be on invigorating vitality through reform, propelling development through innovation, and expediting the establishment of a customer-centric operational framework. Embracing the path of online operations, we will leverage chain platforms and digital tools to engage with a broader spectrum of customer segments, deepen our understanding of their needs, and reshape our interactions with them. By fostering closer relationships with customers through diverse systems, products, and services, we aim to enhance their overall experience and strengthen our online outreach efforts, thus achieving true integration between online and offline channels. Employing digital technology, we will overcome spatial and temporal barriers, foster market connections, cultivate ecosystems, and streamline manpower deployment. Ultimately, we aspire to realize a new pattern characterized by online, digital, platform-based, and ecologically-driven operations, thereby augmenting our ability to generate value for our customers.

**This time, we will make concerted efforts to shape a new corporate culture.** An excellent corporate culture is the cornerstone of our steady and enduring success. In 2024, we will boost our cultural confidence, prioritize fostering cohesion among our team members, and enhance the dissemination and exposure of our cultural values, thereby creating a “customer-centric and frontline-oriented” culture. To achieve this, we will launch initiatives such as the “Lean Management” campaign to reshape our work style, the “Talent Training” campaign for creating a vibrant workforce, and the “Cohesion” campaign intended to enhance staff morale. These efforts aim to redefine our production relationship and create a clean, cohesive, and inspiring working environment that highlights righteous innovation, humanistic care, and value creation.



By doing so, we would motivate employees to fulfill our manifold responsibilities to the country, economy, society, and environment. Moreover, we will continue to increase communication with the capital market, listen to the voices of investors, and deliver better experiences to them. By improving the quality and efficiency of our value management practices, we will endeavor to meet investors' new expectations with tangible efforts and concrete results.

**We will seize upon emerging trends to inaugurate a fresh chapter.** The year 2024 holds paramount significance for SPD Bank as we act on the core requirements outlined in the 20th CPC National Congress and undertake the objectives delineated in our 14th Five-Year Plan. Anchored by our digitalization & intelligentization strategy and guided by the principle of “serving the real economy”, our entire staff, characterized by their pioneering spirit, innovation, persistence, confidence, diligence, and unity of purpose, will serve as a formidable force propelling reforms, surmounting challenges, and propelling development forward. Through our collective efforts, SPD Bank is poised to ascend to the ranks of premier joint-stock commercial banks with global competitiveness, thereby making substantial contributions to China's ascent as a financial powerhouse.

**Zhang Weizhong, Party Committee Secretary and Chairman**

## Message from Senior Management

In 2023, despite complicated and severe internal and external environments, SPD Bank remained steadfast in implementing the decisions and plans of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee, and the Shanghai Municipal People's Government. Firmly committed to the path of financial development with Chinese characteristics, we collectively endeavored to surmount obstacles, deepen structural adjustments, fortify risk prevention and mitigation measures, and intensify our efforts to serve the real economy. SPD Bank pressed forward amidst the array of difficulties and challenges. As at the end of 2023, the Group's total assets exceeded RMB9 trillion, with asset quality improving steadily and non-performing loan (NPL) balance and ratio both on the decline for four consecutive years. However, the Bank's operating performance growth has faced challenges, due to multiple factors such as asset repricing, declining market interest rates, volatility in the capital market, insufficient momentum for corporate credit growth, and ongoing business restructuring. At present, SPD Bank finds itself at a critical juncture of transformation and development. As a domestic systemically important bank and a leader in supporting Shanghai's efforts to establish itself as "five centers" with "four major functions", we deeply realize the weighty mission and responsibility placed upon us. We are soberly aware that the path forward demands unwavering commitment to development.

Since the fourth quarter of last year, the Bank has undertaken a comprehensive **"100-day Action"** campaign, making every effort to resume the robust growth of asset investments. Consequently, the contraction in net profit narrowed significantly in the fourth quarter compared with the proceeding three quarters. As risk reduction initiatives yielded notable results, the overall operational performance of the Bank demonstrated a trajectory of steady improvement, thereby laying a solid foundation for the Bank to rejuvenate its growth momentum, resume its growth trajectory, and reclaim its position at the forefront of the market.

**Advancing development through transformation while effectively serving the real economy.** To fulfill our mission more effectively, we diligently implemented the core requirements outlined at the 20th CPC National Congress, the Central Financial Work Conference, and the Central Economic Work Conference. By doing so, we significantly intensified financial support for major national strategies, key areas, and vulnerable segments. With a keen focus on developing the five priorities of technology finance, green finance, inclusive finance, pension finance, and digital finance, we continued to cultivate new drivers for economic growth and play a proactive role in serving the real economy. As at the end of the reporting period, the balance of loans to tech companies exceeded RMB500 billion, an increase of over 30%; the balance of medium- and long-term loans to the manufacturing industry amounted to RMB278 billion, an increase of 27%; the balance of green credit stood at RMB524.6 billion, an increase of 23%; and the balance of inclusive loans meeting the "two increases and two controls" assessment requirements was RMB422.4 billion, an increase of 12%.

**Gathering support through reform efforts to continuously enhance management efficiency and effectiveness.** We expedited the adoption of new concepts, work methodologies, and operational modes. Embracing a problem-oriented approach, we explored the establishment of a stratified and categorized processing mechanism,

along with a dedicated taskforce, to address critical obstacles and challenges hindering business growth. This concentered effort involved efficient coordination to optimize relevant systems and mechanisms, thereby unleashing business vitality. Highlighting the people-oriented principle, we bolstered institutional guarantee through enhancement in appraisal and incentives, process optimization, and mechanism development, thereby further invigorating team dynamics.

**Continuously enhancing the customer management regime by refining our service quality and capacity.** We underwent a mindset transformation and reshaped both internal and external processes to accelerate the enhancement of our integrated customer management capabilities. These endeavors aimed to truly establish a customer-centric business philosophy. Meanwhile, our strengths in financial technology were fully leveraged to continuously improve the customer experience and develop a range of high-quality products and services tailored to customer needs. By offering competitive products and services, we would attract, acquire, serve, and retain a larger customer base, thereby ensuring our overall operations on a solid footing.

**Continuing to improve our asset quality with intensified risk control efforts.** Spearheaded by the risk control principles of “making forward-looking, precise judgment, taking actions prudentially and knowing where to stop, exercising rigid control over risks toward steady development, and ensuring all-employee participation”, we continued to improve the initiative and foresight of our comprehensive risk management framework and stepped up risk prevention and mitigation efforts across key areas, fields, and projects. By effectively curbing new risks and mitigating old ones, we continued to dispose of existing non-performing assets (NPAs) with intensified endeavors. Through the comprehensive application of market-oriented resolution methods such as overdue debt reduction, cash recovery, and recovery after write-off, we successfully saved and reduced risk costs. As a result, the cash recovery amount throughout the year reached a record high.

**Regarding operational compliance as a non-negotiable bottom line to fortify the foundation for development.** Compliance is the lifeline for financial institutions, representing an essential prerequisite for achieving high-quality financial development and facilitating China’s rise as a financial powerhouse. Dedicated to fully implementing regulatory requirements, improving the internal policy system, and enhancing digital and intelligent compliance capabilities, we demonstrated our genuine capacity to conduct business responsibly, manage material risks, and achieve tangible development outcomes. Through these efforts, we fortified the foundation for high-quality development.

Reflecting on our journey, we remained united and resolute in our founding mission of “forging new paths for the socialist financial cause”. As we look ahead, we will take steady steps toward and stay focused on casting SPD Bank into a distinguished brand, attaining high-quality development, and contributing to China’s rise as a financial powerhouse.

In 2024, we will stay true to the overarching principles of “seeking progress amidst stability, underpinning stability through progress, and building the new before discarding the old”. Our primary focus will be on the main business line, emphasizing

“venturing into new domains, solidifying foundations, enhancing quality, strengthening team building, and increasing efficiency”. To achieve this, we will implement the “5-3-2-1-1” core initiatives, namely **“five priority tracks, three primary business segments, two core indicators, one foundation, and one spirit”**, to coordinate efforts in various facets of work, thereby regenerating growth momentum.

**Firstly, we will accelerate breakthroughs in developing five areas of finance, guided by the digitalization & intelligentization strategy.** With respect to structural adjustment and resource allocation across the Bank, we will tap deep into five priority tracks. While empowering development by digital and intelligent means, we will effectively connect our products and services with the market and customers to strengthen our distinctive customer segments, create value for customers through faster, superior, and more integrated services, cultivate new avenues for strategic breakthrough and revenue growth, and achieve substantial operating outcomes. Ultimately, this strategy positions us to outshine competitors more rapidly.

**Secondly, we will persist in consolidating corporate banking, retail banking, and financial markets as our three primary business segments.** Anchored by national strategies, we will make forward-looking planning, capitalize on early opportunities, and accelerate integration into the new development pattern while attaining our rapid business growth. On the asset side, we will expedite the supply of high-quality loans, particularly focusing on credit in key regions such as the Yangtze River Delta, Beijing-Tianjin-Hebei region, and Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area). On the liability side, we will use digital means to vigorously expand settlement deposits. Regarding fee-based income, we will further give full play to our strengths in distinctive businesses such as green loans, mergers and acquisitions (M&As), syndicated loans, wealth management products, transactions on behalf of customers, and asset securitization, so as to increase their collective contribution to revenue.

**Thirdly, we are focusing on two core indicators: efficiency and quality.** Efficiency serves as the wellspring of high-quality development, while quality forms the bedrock of enduring business success. To this end, we will adopt a comprehensive approach to dynamically optimize asset and liability allocation strategies and conduct active resource management with greater efficiency. Meanwhile, we will continue to promote risk resolution, thereby reinforcing the upward trajectory in asset quality. We will further enrich the digital risk management toolbox to accelerate the enhancement of overall risk management capabilities. Additionally, we will continuously enhance the quality of compliance and audit activities to build a solid bottom line for internal control management.

**Fourthly, we will reinforce “one foundation”, elevate meticulous and lean management standards, and bolster our customer-centric value creation ability.** Refined management aligns with the spirit of craftsmanship and pursuit of excellence inherent in Shanghai culture. As a national joint-stock commercial bank headquartered in Shanghai, meticulous and lean management is part of our DNA. With a focus on being customer-centric and leveraging data and technology, we will expedite the development of an enterprise-level customer management, product innovation, and service system, so as to fuel revenue growth by establishing a solid customer base.

**Fifthly, we will always uphold the courageous, pragmatic, and responsible spirit to reclaim our former glory.** Market competition isn't solely a competition of capability but also a test of spirit. We will enhance the leadership of our corporate culture, internalizing the values of "loyalty, professionalism, and practicality" within our organization. With unwavering dedication, we will strive tirelessly to reach the pinnacle of success.

**Sharing a common vision leads to triumphs; standing together through ups and downs brings prosperity.** In 2024, guided by the digitalization & intelligentization strategy, our 60,000-person team will march forward with courage and perseverance, undeterred by difficulties and challenges. United in our pursuit of development, excellence, and effective action, we will forge new pathways for the Bank's advancement with unwavering determination. We will spare no effort in better serving the real economy, achieving new milestones in high-quality development, pioneering reforms and innovations, establishing a new pattern of financial services, reaching unprecedented levels of digitization, enhancing governance effectiveness, and cultivating a distinctive corporate culture and brand identity. Together, we are committed to realizing our vision of building a first-class joint-stock commercial bank with international competitiveness. We welcome all friends who are invested in the growth of SPD Bank to witness as we reclaim our glory as a 30-year-old bank.

**Liu Yiyan, Deputy Party Committee Secretary, Executive Director, and Vice President (in overall charge)**

## Message from Chairman of the Board of Supervisors

In 2023, SPD Bank celebrated its thirtieth anniversary. Over the past three decades, we have persevered through various challenges and triumphs. In the year, we embarked on a new journey, and poised to usher in a renewed era of excellence from a fresh starting point.

In 2023, according to the directives of the Party Committee of the Bank, with the support and cooperation of the Board of Directors and the Senior Management, the Board of Supervisors fulfilled its duties legally and diligently and actively put forward supervisory opinions and recommendations, thereby contributing to the high-quality development of the Bank.

**Strengthening supervision in the performance of duties and refining the corporate governance system.** The Board of Supervisors convened meetings in accordance with pertinent laws and regulations to closely track major operation and management matters concerning strategic planning and implementation, capital management, periodic reports, risk management, write-off of asset losses, and internal control compliance, among other topics, while actively expressing deliberation opinions. Committed to the Bank's founding mission, it stuck to its original mission, aligned with the requirements for high-quality development in the new era, improved relevant systems and mechanisms, strengthened the implementation of strategies, optimized appraisal mechanisms, reinforced internal management, and enhanced operational efficiency, thereby reshaping the market image of the Bank. The Board of Supervisors attended important meetings of the Board of Directors and the Senior Management in time, and supervised the decision-making procedures and implementation of significant matters. It evaluated the duty performance of directors, supervisors, and Senior Management members, 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.

**Focusing on key areas to strengthen internal control supervision over financial risks.** With respect to financial supervision, the Board of Supervisors carefully considered periodic reports, strengthened supervision of financial compliance and authenticity, paid particular attention to the Bank's important financial decisions, important financial income and expenditure activities, and financial risk control efforts, and put forward proposals to increase revenue, reduce expenditure, and intensify cost management. Highly concerned about comprehensive risk management, it deliberated on and reviewed risk management-related proposals and reports, and oversaw the duty performance of the Board of Directors and the Senior Management in relation to credit risk, liquidity risk, market risk, operational risk, and reputational risk, among others. By paying close attention to the Bank's new material risks and dynamics in the resolution and disposal of such risks, it issued timely supervision reminders and supervisory suggestions to the Bank, and sent reports to the competent authorities. As to supervision of internal control compliance, it closely followed up on basic compliance management activities, continued to strengthen supervision of internal control management, business integrity management, and other aspects, and put forward supervisory suggestions in a timely manner.



**Serving the broader development objectives and advancing the improvement of operational quality and efficiency.** Focused on the Bank's core priorities, the Board of Supervisors promptly put forward supervisory suggestions in response to the difficulties and challenges encountered in operations, and urged the Senior Management to enhance operational effectiveness through intensified initiatives by adopting a problem-oriented approach. It strengthened professional research on scientific and technological innovation, improved the management system of science and tech finance, intensified risk management, and promoted the high-quality development of science and tech finance. Faced up with difficulties and deficiencies encountered in operations, it took effective measures to accelerate business structuring, while making efforts to improve operational quality and efficiency. It supported the implementation of China's regional development strategies, strengthened localized management of operating institutions and provided guidance for their operations, and refined a series of supporting measures such as allocation of operating resources, authorization management, and outlet optimization, thereby enhancing operational efficiency. Moreover, it also strengthened budget management, optimized appraisal measures, and worked to increase revenue and reduce expenditure, continuously enhancing lean management capabilities of the Bank.

**Generating synergy to consistently enhance the level of supervision.** The Board of Supervisors conducted in-depth research at outlets, produced summary reports and sent them to the Senior Management, and promoted the solution of problems at outlet level, which was taken seriously by the Senior Management. As a result, some problems centrally reflected by primary-level outlets were discussed and solved over time. The Board of Supervisors strengthened communication with the external auditor and ensured the accounting firm played its professional role, to further fulfill auditing responsibilities. Additionally, it worked with a variety of internal supervisory forces such as the internal audit, disciplinary inspection and supervision, and risk compliance to enhance the effectiveness of supervision efforts. Moreover, it prioritized playing the role of employee supervisors, to safeguard the rights and interests of employees. It also intensified research on and guidance for subsidiaries to improve the level of work done by their boards of supervisors.

The year 2024 is critical for SPD Bank, as it will implement the digitalization & intelligentization strategy, redefine growth momentum, and pave the way for a new era of high-quality development. The Board of Supervisors of the Bank will stay true to the overarching principles of "seeking progress amidst stability, underpinning stability through progress, and building the new before discarding the old". Its primary focus will be on the main business line, emphasizing venturing into new domains, solidifying foundations, enhancing quality, strengthening team building, and increasing efficiency. It will organize and carry out supervision activities in accordance with relevant laws and regulations, and improve supervision mechanisms to enhance efficiency. By solidly promoting the high-quality development of the Bank, it will contribute to the Bank's efforts in realizing its vision of "comprehensively building a first-class joint-stock commercial bank with international competitiveness".

**Wang Jianping, Chairman of the Board of Supervisors**

## Section I Definitions

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

|                                                     |   |                                                                              |
|-----------------------------------------------------|---|------------------------------------------------------------------------------|
| SPD Bank, the Company, the Parent Company, the Bank | : | Shanghai Pudong Development Bank Co., Ltd.                                   |
| The Group                                           | : | Shanghai Pudong Development Bank Co., Ltd. and its affiliated companies      |
| Shanghai Trust                                      | : | Shanghai International Trust Co., Ltd.                                       |
| SPDB Financial Leasing                              | : | SPDB Financial Leasing Co., Ltd.                                             |
| SPDB Wealth Management                              | : | SPDB Wealth Management Co., Ltd.                                             |
| AXA SPDB Investment Managers                        | : | AXA SPDB Investment Managers Co., Ltd.                                       |
| SPD Silicon Valley Bank                             | : | SPD Silicon Valley Bank Co., Ltd.                                            |
| SPD rural banks                                     | : | The 28 rural banks established by Shanghai Pudong Development Bank Co., Ltd. |
| SPDB International                                  | : | SPDB International Holdings Limited                                          |
| Central bank/PBC                                    | : | People's Bank of China                                                       |
| NFRA                                                | : | National Financial Regulatory Administration                                 |
| CBRIC                                               | : | Former China Banking and Insurance Regulatory Commission                     |
| CSRC                                                | : | China Securities Regulatory Commission                                       |
| SSE                                                 | : | Shanghai Stock Exchange                                                      |
| End of the reporting period                         | : | 31 December 2023                                                             |
| The reporting period                                | : | From 1 January 2023 to 31 December 2023                                      |
| Same period of last year                            | : | From 1 January 2022 to 31 December 2022                                      |
| End of last year                                    | : | 31 December 2022                                                             |

## Section II Corporate Profile and Main Financial Indicators

### 2.1 Company Information

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

### 2.2 Contact Information

|           | Secretary to the Board of Directors                                                       | Listing Affairs Representative                                       |
|-----------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| Name      | Xie Wei                                                                                   | Wu Rong                                                              |
| Address   | Secretariat to the Board of Directors & Supervisors at 12, Zhongshan Road (E-1), Shanghai |                                                                      |
| Telephone | 021-63611226                                                                              | 021-61618888 ex. Secretariat to the Board of Directors & Supervisors |
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|               |                |                  |
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|---------------|----------------|------------------|

### 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    | <a href="http://www.see.com.cn">http://www.see.com.cn</a>                |
| 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                        | Name                           | KPMG Huazhen LLP                                                                               |
|                                                                                                              | Office address                 | F/8, KPMG Tower, Oriental Plaza, No.1 East Chang'an Avenue, Dongcheng District, Beijing, China |

|                                                                                          |                                  |                                                                               |
|------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------------------------------------------------|
| Reporting Standards)                                                                     |                                  |                                                                               |
| 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 Co., Ltd.                                             |
|                                                                                          | 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 International Rankings, Ratings, Awards, and Honors Received

### International 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 2023. Among all the Chinese-funded banks on the list, the Bank ranked 9th.          |
| Fortune    | SPD Bank ranked 260th among the “Fortune Global 500”, which was released by the US magazine Fortune in August 2023. Among all the Chinese-funded banks on the list, the Bank ranked 8th.                                     |
| Forbes     | SPD Bank ranked 115th among the “Forbes Global 2000”, which was released by the US magazine Forbes in June 2023. Among all the Chinese-funded enterprises and banks on the list, the Bank ranked 16th and 9th, respectively. |

## Brand value and ESG ratings

|             |                                                                                                                                                                                                                                                                                              |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Brand value | SPD Bank ranked 31st among the “Top 500 Global Banking Brands in 2024”, which was released by Brand Finance, a prominent brand valuation consultancy, in March 2024. Among all the Chinese-funded banks on the list, the Bank ranked 11th. Its brand value was assessed at USD9,876 million. |
| ESG         | SPD Bank maintained its “A” rating in the 2022 Environmental, Social and Corporate Governance (ESG) ratings, as disclosed by Morgan Stanley Capital International (MSCI) in September 2023.                                                                                                  |

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

## Honors and awards

| Awarded by                                                                                | Name of award                                                                                                                              |
|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| People’s Bank of China (PBC)                                                              | The “Digital Twin in Finance” Intelligent Decision-making Platform won the “Second Prize in Financial Technology Development”.             |
| Ministry of Public Security                                                               | Excellent Performer in 2023 Cybersecurity Drill                                                                                            |
| Ministry of Industry and Information Technology (MIIT)                                    | The Innovative Case Award for User Experience Industry Applications by China Quality Management Association for Electronics Industry, MIIT |
| State-owned Assets Supervision and Administration Commission of the State Council (SASAC) | 2022 Typical Case of Brand Building among State-owned Enterprises                                                                          |

|                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shanghai Municipal People's Government                                                                         | SPD Bank was nominated for the "2021-2022 Shanghai Financial Innovation Award" by the Shanghai Municipal People's Government.                                                                                                                                                                                                                                                                                                                                |
| State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (Shanghai SASAC) | The Most Popular Scenario for Digitalization selected by Shanghai SASAC in 2023                                                                                                                                                                                                                                                                                                                                                                              |
| Social Security Fund Supervision Bureau of Ministry of Human Resources and Social Security (MOHRSS)            | Excellent Management Organization in Reporting and Disclosing Information on Enterprise Annuity Fund                                                                                                                                                                                                                                                                                                                                                         |
| China Foreign Exchange Trade System                                                                            | Best Foreign Currency Lending Quotation Bank, Best Foreign Currency Lending Member, Best Foreign Currency Repo Member, Best RMB Foreign Exchange Option Market Maker, and Best RMB Foreign Exchange Currency Swap Market Maker; Market Influence Award of the Year – Core Dealer, Money Market Dealer, Bond Market Dealer, Derivatives Market Dealer, NCD Issuer, and Market Co-builder; and Innovation Award of the Year – Bond Underwriter and Distributor |
| National Interbank Funding Center                                                                              | Core Dealer, Money Market Dealer, X-repo, iDeal, and Automated Dealer                                                                                                                                                                                                                                                                                                                                                                                        |
| China Central Depository & Clearing Co., Ltd.                                                                  | Bond Market Leader of the Year, Model Bond Underwriter, Model Underwriter in Local Bond Counter Business, Model Contributor to International Business, Model Valuation Agency, Model Underwriter of ChinaBond Green Index, and Model Asset Custodian of the Year                                                                                                                                                                                             |
| Shanghai Clearing House                                                                                        | Centralized Clearing Business Awards – Model Clearing Member and Model Proprietary Clearing Agency, Issuance, Registration, Custody, and Settlement Business Awards – Model Policy Financial Bond Underwriter and Model Counter Bond Business Participant, and Innovative Business Awards – Model Institution Promoting Innovative Business                                                                                                                  |

|                                                     |                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shanghai Gold Exchange                              | Excellent Member, Best Auction Trading Member, Best Pricing Member, Best OTC Member, Best Auction Trading Proprietary Member, Best Auction Liquidity Providing Member, Best OTC Market Maker, Best Contributor to Business Innovation, and Outstanding Market Contributor Award                                                   |
| Shanghai Futures Exchange                           | Diamond Award for Market Making Business, Special Contribution Award for Market Making Business, and Model Trader on Comprehensive Business Platform                                                                                                                                                                              |
| Shanghai Commercial Paper Exchange Corporation Ltd. | Model Integrated Business Institution and Model Specialized Business Institution                                                                                                                                                                                                                                                  |
| Shanghai Stock Exchange (SSE)                       | Model Participant in Bond Lending Business                                                                                                                                                                                                                                                                                        |
| Shenzhen Stock Exchange (SZSE)                      | Interest Rate Bond Underwriter of the Year, Bond Investment and Trading Institution of the Year – Commercial Bank, Model Participant in Bond Trading Business Innovation of the Year – Bond Lending Category                                                                                                                      |
| China Development Bank (CDB)                        | Excellent Financial Bond Underwriter in Interbank Market, Financial Bond Succession Award, Award for Developing the Multi-level Financial Bond Market, Financial Bond Innovation Award, Award for Green and Low-carbon Financial Bond Pioneers, Financial Bond Market Expansion Award, and Model Market Maker for Financial Bonds |
| Export-Import Bank of China (CEXIM)                 | Core Underwriter, Award for Promoting Green Development Concepts, Common Wealth Promotion Award, Social Responsibility Fulfillment Award, Award for Promoting Regional Coordinated Development, and Award for Enhancing Stability and Quality of Foreign Trade                                                                    |
| Agricultural Development Bank of China (ADBC)       | Outstanding Contributor to Agriculture, Rural Areas, and Rural Residents, Practitioner in Agriculture, Rural Areas, and Rural Residents, Model Underwriter, Best National Commercial Bank, Model OTC Market Undertaker, and Best Innovation and Cooperation Award                                                                 |
| China Banking Association (CBA)                     | The Smart Quality Inspection Project received the second-place prize at the 2023 Competition for Application of Digital and Intelligent Innovations in Call Center and Remote Banking.                                                                                                                                            |



|                                                                    |                                                                                                                                                                       |
|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| China Financial Certification Authority (CFCA)                     | 2023 Best Digital Operation Award in Mobile Banking                                                                                                                   |
| National Internet Finance Association of China (NIFA)              | Front-runner in Formulating Corporate Standards for Personal Online Banking Service Specifications                                                                    |
| National Financial Technology Certification Center (NFTCC)         | Outstanding Contributor to Intelligence Support for Financial Network Security Situation Awareness Platform                                                           |
| China Academy of Information and Communications Technology (CAICT) | Flagship-level Service Capability for Artificial Intelligence-enabled Machine Learning Operations (MLOps)                                                             |
| China Financial Services Conference (CFSC)                         | IDC Innovation Award for Financial Technology Application Scenarios in China                                                                                          |
| Shanghai FinTech Industry Alliance                                 | Outstanding Application Scenarios for Financial Technology across Shanghai in 2023                                                                                    |
| People.cn                                                          | Outstanding Cases in Inclusive Finance for 2023                                                                                                                       |
| China.com.cn                                                       | Outstanding Cases in Inclusive Finance over Ten Years                                                                                                                 |
| Financial News                                                     | 2023 Best Bank for Science and Tech Finance Services                                                                                                                  |
| The Chinese Banker                                                 | Outstanding Case in Banker Innovation for Inclusive Finance Services in 2023                                                                                          |
| China Finance                                                      | The Sixth Annual Brand Case in Financial Industry                                                                                                                     |
| Securities Times                                                   | Gamma Award for China's Banking Industry: Outstanding Asset Custodian Bank<br>Gamma Award for China's Banking Industry 2023: Excellent Mobile Banking App of the Year |
| China Economic Information Service (CEIS) of Xinhua News Agency    | The 2nd "Xinhua Credit Gold Orchid Cup" Awards for Excellent ESG Cases                                                                                                |
| www.p5w.net                                                        | Model IR Company in Investor Relations and Best Minority Investor Interaction Award                                                                                   |

|                              |                                                                                               |
|------------------------------|-----------------------------------------------------------------------------------------------|
| China Business Top 100 Forum | Top 100 Enterprises and the 20-year Special Contribution Award of China's Top 100 Enterprises |
|------------------------------|-----------------------------------------------------------------------------------------------|

## 2.7 Major Accounting Data and Financial Indicators

| In RMB millions                                                                                                      | 2023    | 2022    | Increase/decrease<br>over the same<br>period of the<br>previous year (%) | 2021     |
|----------------------------------------------------------------------------------------------------------------------|---------|---------|--------------------------------------------------------------------------|----------|
| <b>Major accounting data</b>                                                                                         |         |         |                                                                          |          |
| Operating income                                                                                                     | 173,434 | 188,622 | -8.05                                                                    | 190,982  |
| Total profit                                                                                                         | 40,692  | 56,149  | -27.53                                                                   | 59,071   |
| Net profit attributable<br>to the parent<br>company's shareholders                                                   | 36,702  | 51,171  | -28.28                                                                   | 53,003   |
| Net profit attributable<br>to the parent<br>company's shareholders<br>deducting the non-<br>recurring profit or loss | 33,882  | 50,810  | -33.32                                                                   | 52,550   |
| Net cash flows from<br>operating activities                                                                          | 388,397 | 365,099 | 6.38                                                                     | -257,192 |
| <b>Main financial<br/>indicators (RMB/share)</b>                                                                     |         |         |                                                                          |          |
| Basic earnings per share                                                                                             | 1.07    | 1.56    | -31.41                                                                   | 1.62     |
| Diluted earnings per<br>share                                                                                        | 0.99    | 1.44    | -31.25                                                                   | 1.50     |
| Basic earnings per share<br>after deducting non-<br>recurring profit or loss                                         | 0.97    | 1.55    | -37.42                                                                   | 1.61     |
| Net cash flows from<br>operating activities per<br>share                                                             | 13.23   | 12.44   | 6.35                                                                     | -8.76    |
| <b>Profitability indicators<br/>(%)</b>                                                                              |         |         |                                                                          |          |

|                                                                |                           |                    |                                                                            |                    |
|----------------------------------------------------------------|---------------------------|--------------------|----------------------------------------------------------------------------|--------------------|
| Weighted ROE                                                   | 5.21                      | 7.98               | Down 2.77 percentage points                                                | 8.75               |
| Weighted ROE after deducting non-recurring profit or loss      | 4.75                      | 7.92               | Down 3.17 percentage points                                                | 8.67               |
| Returns on average total assets                                | 0.42                      | 0.62               | Down 0.20 percentage point                                                 | 0.67               |
| Fully-diluted ROE                                              | 5.10                      | 7.79               | Down 2.69 percentage points                                                | 8.51               |
| Fully-diluted ROE after deducting non-recurring profit or loss | 4.64                      | 7.73               | Down 3.09 percentage points                                                | 8.43               |
| Net interest spread                                            | 1.49                      | 1.72               | Down 0.23 percentage point                                                 | 1.77               |
| Net interest margin                                            | 1.52                      | 1.77               | Down 0.25 percentage point                                                 | 1.83               |
| Cost-to-income ratio                                           | 29.65                     | 27.89              | Up 1.76 percentage points                                                  | 26.17              |
| Cash dividend ratio                                            | 30.05                     | 20.50              | Up 9.55 percentage points                                                  | 25.26              |
| <b>Percentage in total operating income (%)</b>                |                           |                    |                                                                            |                    |
| Net interest income to operating income                        | 68.29                     | 70.87              | Down 2.58 percentage points                                                | 71.19              |
| Non-interest income to operating income                        | 31.71                     | 29.13              | Up 2.58 percentage points                                                  | 28.81              |
| Net income of fee and commission to operating income           | 14.10                     | 15.21              | Down 1.11 percentage points                                                | 15.25              |
| In RMB millions                                                | <b>At the end of 2023</b> | At the end of 2022 | Increase/(decrease) compared with the same period of the previous year (%) | At the end of 2021 |
| <b>Scale indicators</b>                                        |                           |                    |                                                                            |                    |

|                                                                                            |           |           |                            |           |
|--------------------------------------------------------------------------------------------|-----------|-----------|----------------------------|-----------|
| Total assets                                                                               | 9,007,247 | 8,704,651 | 3.48                       | 8,136,757 |
| Incl.: Total loans                                                                         | 5,017,754 | 4,900,662 | 2.39                       | 4,786,040 |
| Total liabilities                                                                          | 8,274,363 | 7,997,876 | 3.46                       | 7,458,539 |
| Incl.: Total deposits                                                                      | 4,984,630 | 4,826,478 | 3.28                       | 4,403,056 |
| Net assets attributable to the parent company's shareholders                               | 724,749   | 697,872   | 3.85                       | 670,007   |
| Net assets attributable to the parent company's ordinary shareholders                      | 614,840   | 587,963   | 4.57                       | 560,098   |
| Net assets per share attributable to the ordinary shareholders of the parent company (RMB) | 20.95     | 20.03     | 4.59                       | 19.08     |
| <b>Asset quality indicators (%)</b>                                                        |           |           |                            |           |
| NPL ratio                                                                                  | 1.48      | 1.52      | Down 0.04 percentage point | 1.61      |
| Allowance to NPL                                                                           | 173.51    | 159.04    | Up 14.47 percentage points | 143.96    |
| Allowance to total loans                                                                   | 2.57      | 2.42      | Up 0.15 percentage point   | 2.31      |

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 2023. The Bank paid interest of RMB1,419 million on SPDB 2019 Perpetual Bonds in July 2023 and interest of RMB2,375 million on SPDB 2020 Perpetual Bonds in November 2023, 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 the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit and Loss (Revision in 2023).

(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 in the bonus year. The rate is calculated based on 29,352,176,848, 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 2023

In RMB millions

| Item                                                                                                    | 1st quarter<br>(Jan. – Mar.) | 2nd quarter<br>(Apr. – Jun.) | 3rd quarter<br>(Jul. – Sep.) | 4th quarter<br>(Oct. – Dec.) |
|---------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Operating income                                                                                        | 48,079                       | 43,151                       | 41,585                       | 40,619                       |
| Total profit                                                                                            | 19,507                       | 7,060                        | 5,236                        | 8,889                        |
| Net profit attributable to the parent company's shareholders                                            | 15,831                       | 7,307                        | 4,848                        | 8,716                        |
| Net profit attributable to the parent company's shareholders deducting the non-recurring profit or loss | 13,184                       | 7,200                        | 4,815                        | 8,683                        |
| Net cash flows from operating activities                                                                | 103,419                      | -54,933                      | 60,200                       | 279,711                      |

## 2.9 Non-recurring Profit or Loss and Amount

In RMB millions

| Item                                                                                           | 2023   | 2022 | 2021 |
|------------------------------------------------------------------------------------------------|--------|------|------|
| Profit or loss from disposal of non-current assets                                             | 4,309  | 84   | 26   |
| Government subsidies                                                                           | 737    | 651  | 856  |
| Other net non-operating expense                                                                | -44    | -124 | -134 |
| Income tax effect of non-recurring profit or loss                                              | -1,988 | -174 | -217 |
| Total                                                                                          | 3,014  | 437  | 531  |
| Incl.: Non-recurring profit or loss attributable to the parent company's ordinary shareholders | 2,820  | 361  | 453  |
| Non-recurring profit or loss attributable to minority shareholders                             | 194    | 76   | 78   |

## **2.10 Differences between Accounting Data Prepared as per ASBE and IFRS**

The Group's financial statements, whether prepared under the Accounting Standards for Business Enterprises (ASBE) or the International Financial Reporting Standards (IFRS), display no disparities in net profit for the year 2023 or equity as of 31 December 2023.

## Section III Management Discussion and Analysis

### 3.1 Overall Business Operation of the Bank

In 2023, despite complicated and severe internal and external environments, the Bank remained steadfast in implementing the decisions and plans of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee, and the Shanghai Municipal People's Government, in addition to regulatory requirements. Committed to the path of financial development with Chinese characteristics, it collectively endeavored to surmount obstacles, make progress toward reform, innovation, transformation, and development, and serve the real economy with quality and efficiency both further assured. Since the fourth quarter of 2023, the Bank has undertaken a "100-day Action" campaign, guided by the digitalization & intelligentization strategy. Thanks to the intensified efforts in asset supply, the contraction in net profit narrowed in the fourth quarter compared with the proceeding three quarters. As risk reduction initiatives yielded notable results, the overall operational performance of the Bank demonstrated a trajectory of steady improvement, thereby laying a solid foundation for high-quality development.

#### Assets and liabilities grew in scale steadily

As at the end of the reporting period, the total assets of the Group posted RMB9,007,247 million, representing an increase of RMB302,596 million or 3.48% over the end of the previous year. Of these, the total loans in local and foreign currencies (including discounted bills) stood at RMB5,017,754 million, representing an increase of RMB117,092 million or 2.39% over the end of the previous year. Total corporate loans (excluding discounted bills) stood at RMB2,840,999 million and total retail loans were RMB1,865,822 million. The Group's total liabilities amounted to RMB8,274,363 million, an increase of RMB276,487 million or 3.46% over the end of last year, of which the total deposits in local and foreign currencies stood at RMB4,984,630 million, an increase of RMB158,152 million or 3.28% over the end of the previous year.

#### Operating performance growth has faced challenges

During the reporting period, the Bank actively served the real economy and accelerated the pace of transformation and development, continuously solidifying its customer base. Its performance indicators have been temporarily under pressure, influenced by a host of factors such as asset repricing, declining market interest rates, volatility in the capital market, insufficient momentum for corporate credit growth, and ongoing business restructuring. The Group achieved an operating income of RMB173,434 million, a year-on-year decrease of RMB15,188 million or 8.05%; total profit of RMB40,692 million, a year-on-year decrease of RMB15,457 million or 27.53%; and net profit attributable to the parent company's shareholders of RMB36,702 million, a year-on-year decrease of RMB14,469 million or 28.28%.

#### Serving the real economy with enhanced quality and efficiency

During the reporting period, the Bank continued to transform and optimize its business structure, beefing up support for the real economy. As at the end of the reporting period, the parent company's total corporate loans denominated in RMB and foreign currencies (excluding discounted bills) amounted to RMB2,741,493 million, an increase of RMB237,460 million, or 9.48%, compared with the end of last year. Of these, the balance of medium and long-term loans to the manufacturing sector stood at RMB278 billion, an increase of RMB59.7



billion or 27.35% from the end of a year before. The balance of green credit was RMB524.6 billion, an increase of RMB97.5 billion or 22.82% from the end of a year earlier. The balance of loans to tech companies exceeded RMB500 billion, representing an increase of over 30%. The balance of inclusive loans meeting the “two increases and two controls” assessment requirements reached RMB422.4 billion, an increase of RMB45.7 billion, or 12.15%, compared with the end of the previous year. The balance of loans to private enterprises totaled RMB1,521.1 billion, an increase of RMB142.5 billion, or 10.34%, from the end of last year. The balance of agro-related loans hit RMB382.7 billion, an increase of RMB32.9 billion or 9.42% over the end of the previous year.

#### **Asset quality continued to improve**

During the reporting period, in terms of risk management, the Bank curbed new risks and mitigated old ones, and continued to dispose of existing NPAs with intensified efforts, with the cash recovery amount throughout the year reaching a record high and NPL balance and ratio on the decline for four consecutive years. As at the end of the reporting period, the Group’s NPL balance reported RMB74,198 million, a decrease of RMB421 million from the end of the previous year; its NPL ratio stood at 1.48%, a decrease of 0.04 percentage point from the end of the previous year; its provision coverage ratio was 173.51%, an increase of 14.47 percentage points from the end of the previous year; and its allowance to total loans ratio registered 2.57%, an increase of 0.15 percentage point from the end of the previous year.

#### **Steady progress was made toward group-wide and international operation**

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 toward international operation. During the reporting period, overseas institutions and subsidiaries achieved a combined revenue of RMB15,041 million and operating profit of RMB6,190 million. The international business platforms posted total assets of RMB359,066 million.

## 3.2 Strategy Optimization and Implementation

### 3.2.1 Development strategy of the Bank

The Bank upheld Party leadership over finance, ensured the political and people-oriented nature of financial work with pragmatic actions, and enhanced the professionalism of financial services, thereby fulfilling the political, economic and social responsibilities assigned to state-owned financial enterprises like itself. While actively engaging in strategic optimization, it took digital and intelligent transition as a strategic arrangement to build new momentum for development. Focused on **five priority tracks**, the Bank expedited the development of digital infrastructures, products, operations, risk controls, and ecosystems. Its emphasis was placed on establishing **five core systems**, namely customer management and service system, data management system, intelligent operation system, product innovation and service system, and risk management system. To achieve this, it implemented **four key strategies**, namely regional strategy, industry strategy, online strategy, and digital innovation strategy. Furthermore, continuous improvements were made in **three major guarantee systems**, namely organizational guarantee, resource guarantee, and policy guarantee. Additionally, vigorous endeavors were made to ensure the effective implementation of **the digitalization & intelligentization strategy**, thus charting the “Second Growth Curve”.

### 3.2.2 Focusing on five priority tracks to implement the digitalization & intelligentization strategy

The Bank actively developed **technology finance** as per the requirements outlined at the Central Financial Work Conference. Centered on the digitalization & intelligentization strategy, it advanced technology finance as the main strategical pathway. It dedicated itself to facilitating the development of a modernized industrial system and empowering the innovative growth of tech companies. By doing so, the Bank positioned itself as a crucial component of the technology finance ecosystem and as a partner bank supporting the growth of tech companies. During the reporting period, the Bank pioneered a business model that combined “commercial banking, investment banking, and ecosystem building”, to provide a comprehensive suite of services encompassing “stock, loan, bond, insurance, leasing, incubation, match-making, and cooperation”. This initiative led to the introduction of a brand-new “SPD Tech” product series, which provided enterprises with a versatile “5+7+X” product portfolio (comprising 5 flagship products, 7 key products, and X customized products). Notable products included “SPD Innovation Loan”, “SPD Investment Loan”, “SPD New Loan”, “SPD Research Loan”, and “SPD Tech M&A Loan”. These products not only delivered diversified and responsive financial services tailored to the evolving needs of tech companies throughout their lifecycle, but also significantly contributed to the development of the “SPDB Sci-Tech Brand”. As at the end of the reporting period, the balance of loans to tech companies exceeded RMB500 billion, an increase of over 30%. The Bank served more than 50,000 tech companies, and more than 70% of the companies listed on the Science and Technology Innovation Board (STAR Market) were the Bank’s customers.

The Bank made every effort to develop **supply chain finance**. Aimed at empowering industrial development and serving the real economy with enhanced quality and efficiency, it built a digital and intelligent supply chain system characterized by its comprehensive coverage, online availability, intelligent capabilities, and ecological sustainability, so as to assist enterprises in stabilizing, reinforcing, and strengthening their supply chains. Focused on the

automotive, new energy, high-end manufacturing, and other industrial chains, the Bank enriched the application scenarios of supply chain finance services and continued to increase the use of new technologies such as blockchain, Internet of Things (IoT), big data, cloud computing, and artificial intelligence (AI). It developed the “SPD Chain Connect” brand series of online supply chain finance in terms of product innovation, function iteration, process optimization, and service upgrading, while constructing the “SPD Chain e Financing” supply chain finance platform. As at the end of the reporting period, the Bank served 1,664 core supply chain customers and 20,456 upstream and downstream supply chain customers in total. This resulted in both on- and off-balance-sheet financing businesses amounting to RMB366.5 billion. Notably, its factoring and domestic letter of credit businesses both secured leading positions among China’s joint-stock commercial banks.

In terms of **inclusive finance**, the Bank developed relevant institutional mechanisms concerning digital inclusive development, product innovation, and policy coordination. Closely aligned with the primary goal of providing financial support for the real economy, it intensified the use of data and harnessed the empowering potential of technology so as to expand customer outreach and coverage and render micro and small enterprises and retail customers with more efficient financial services. Through a technology-driven transition, the Bank successfully shifted inclusive loans from offline to online platforms, resulting in the creation of standardized, efficient, and online application-supported mortgage products “SPD Inclusive Mortgage Loan” and “Home Mortgage Quick Loan”, as well as credit products like “SPD Inclusive Easy Loan”. Additionally, it also introduced the online “one-click loan renewal” function to enhance customers’ loan renewal experience. Fully leveraging the advantages of online lending in contact-free services, it took “SPD Inclusive Tax Loan”, “Online Supply Chain Loan”, and “Platform Cooperation Scenario Loan” as three competitive products to position online business loans as a primary growth pole in inclusive lending. Moreover, the Bank continued to improve the full-process digital risk control system. As at the end of the reporting period, the balance of inclusive loans meeting the “two increases and two controls” assessment requirements stood at RMB422.4 billion, which went to 312,900 eligible micro and small enterprises.

With respect to **cross-border finance**, the Bank remained closely attuned to China’s higher-standard opening-up drive, served the implementation of the Belt and Road Initiative (BRI) and the establishment of Shanghai as “five centers”, and leveraged integrated strengths of various licensed institutions across the Group, providing high-quality, efficient, and convenient cross-border finance services for enterprises seeking internationalization opportunities. It unveiled the “6+X” cross-border finance service system, in which “6” refers to domestic cross-border, offshore banking, free trade (FT) license, financial markets, custodian service, and overseas institutions, and “X” means cross-border business of the Group’s subsidiaries, cross-border cooperation among foreign interbank institutions, and alliance of financial factor markets. Integrated with a full range of products and services, such as corporate banking, financial markets, treasury management, and cross-border custody, the system aimed to support Chinese-funded customers in going global and undertake “bringing in” overseas customers, to meet various needs of corporate, institutional, and personal customers in cross-border finance activities. As at the end of the reporting period, the Bank had 36,000 active cross-border customers, and cumulatively provided FT financial services to over 5,000 multinational corporations. During the reporting period, it generated a cross-border business

volume worth RMB3.2 trillion which involved 301,500 cross-border RMB agent settlement transactions, a year-on-year increase of 49.8%, and a settlement amount of RMB3.89 trillion, a year-on-year increase of 48.82%. The annual transaction volume of “SPDB Risk Hedging” exceeded RMB1.1 trillion, benefiting 24,000 customers. As at the end of the reporting period, the balance of FT deposits and loans surpassed RMB60 billion and RMB70 billion, respectively. Consequently, more than 490 FT fund pools were built. Furthermore, the Bank assumed the role of agent for 254 CIPS indirect participants, 127 of which were foreign and foreign-invested customers. Both figures reaffirmed the Bank’s leading position among China’s joint-stock commercial banks in this regard.

As to **wealth and asset management finance**, the Bank, while ensuring the people-oriented nature of finance, leveraged the differentiated advantages and operating characteristics of licensed institutions within the Group and forged “wealth management and asset management” as two drivers to provide customers with inclusive, digital, and specialized asset allocation services. Focused on “value creation, specialized services, channel coordination, and digital empowerment”, it created a closed-loop service mode encompassing “investment and research output, product selection, asset allocation, and continued marketing support”. Additionally, the Bank optimized the portfolio of wealth and asset management finance products, diversified the supply of pension finance products and services, and better customized wealth management business for legal-person customers, launching the “SPDB Enterprise Star” entrepreneurial customer group service platform. Moreover, it enhanced online wealth and asset management finance capacity to better manage a full range of customers. As at the end of the reporting period, the number of personal customers (including credit cards) reached 157 million, the balance of financial assets under management (AUM) from personal customers (including market value) amounted to RMB3.68 trillion, and the balance of retail deposits stood at RMB1.38 trillion.

### **3.2.3 Focusing on five priorities of technology finance, green finance, inclusive finance, pension finance and digital finance to attain high-quality development and facilitate China’s ascent as a financial powerhouse**

#### **3.2.3.1 Serving the implementation of China’s major regional strategies**

During the reporting period, the Bank seized opportunities presented by the integrated development of Yangtze River Delta, gave full play to its traditional strengths in the field of corporate banking business, and increased the input of resources in the Yangtze River Delta region. It made good use of the Yangtze River Delta integration toolkit, which consisted of such products as the “Yangtze River Delta Loan”, “Yangtze River Delta Bond”, “Yangtze River Delta Chain”, and “Yangtze River Delta Procurement”, to provide more efficient and convenient financial services for enterprises that might need intra-city credit extension, digital transformation, supply chain upgrading, and cross-regional M&As. While actively assisting in the industrial transformation and upgrading drive in the Yangtze River Delta region, it continued to increase its support for emerging industries such as integrated circuits, biomedicine, aerospace, and high-end equipment, as well as inclusive lending for micro and small enterprises, scientific and technological innovation, and green finance, among others, so as to further consolidate the unique advantages of the Yangtze River Delta region in integrated development. As at the end of the reporting period, the Bank’s outstanding loans in the Yangtze River Delta region totaled RMB1.66 trillion and outstanding deposits reached

RMB2.16 trillion. The Bank ranked first among China's joint-stock banks by outstanding deposits and loans.

The Bank concentrated its efforts on strategic emerging industries, advanced manufacturing, and initiatives in energy conservation and environmental protection within the Beijing-Tianjin-Hebei region. It provided strong support for the development of the Xiongan New Area and the Economic Circle around the Capital City. Additionally, the Bank closely aligned its services with the requirements of national industrial park construction initiatives, relieved Beijing of non-essential functions, facilitated industrial restructuring and upgrading, and managed the substantial transfer of regional industries. Helping central enterprises to develop their top-notch financial management treasury system at a faster pace, it released the Beidou Treasurer – Global Treasury Service Program. As at the end of the reporting period, the Bank's balance of loans in the Beijing-Tianjin-Hebei region amounted to RMB460,025 million.

The Bank actively supported the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) in building a new industrial system, with a focus on the development of advanced manufacturing, emerging industries, and modern service sectors. Centered on the building of major platforms, cooperation in scientific and technological innovation, infrastructure interconnectivity, coordinated industrial development, and exchange and cooperation concerning people's well-being, it supported the in-depth development of the Greater Bay Area in the new phase. Through cross-border business collaboration, the Bank established investment and financing channels for enterprises in the Greater Bay Area to go public in Hong Kong. Utilizing offshore syndicated loans and M&A loans, it provided enterprises engaged in scientific and technological innovation and advanced manufacturing enterprises with medium and long-term cross-border funding, actively supported Hong Kong and Macao customers to participate in domestic green/environmental protection projects, and assisted in the construction of fixed-asset projects in the Greater Bay Area through multi-currency and multi-mode offshore bonds. As at the end of the reporting period, the balance of loans granted by the Bank to Guangdong, Hong Kong, and Macao amounted to RMB645.64 billion.

### **3.2.3.2 Contributing to the development of five priority tracks**

#### **Technology finance**

The Bank attached great importance to services related to technology finance. By constantly improving internal mechanisms, innovating financial products, and building financial service platforms, it consolidated efforts to promote the deep integration of scientific and technological innovation chain, industrial chain, capital chain, and talent chain. With tech companies included as one of key customer segments, the Bank diligently implemented the national innovation drive, the national strategy for building prosperity through science and technology (S&T), and the relevant requirements set out in China's 14th Five-Year Plan, to vigorously support strategic emerging industries and tech companies in fostering a beneficial circle of "S&T – industry – financing", accelerating the development of new quality productive forces, and helping attain a high level of self-reliance in S&T.

The Bank continued to optimize its top-level framework design and improve the organizational structure, by establishing a specialized system and service team engaged in technology finance. It also set up a number of new sub-branches with S&T characteristics nationwide across the Yangtze River Delta, the Pearl River Delta, the Bohai Rim, and key cities in Central and Western China. Horizontally, by leveraging the advantageous resources within the Group, such as SPD

Silicon Valley Bank, SPDB International, and Shanghai Trust. Capitalizing on the synergistic effect of the Group, the Bank was able to support tech companies accurately in enhancing quality and efficiency throughout their lifecycle. Additionally, the Bank continuously increased its collaboration with government agencies, universities and research institutes, exchanges, investment funds, core enterprises in various industries, and capital market intermediaries. These efforts aimed to build a comprehensive service model integrating commercial banking, investment banking, and ecosystem building. As a result, a strategic cooperation ecosystem for technology finance with the characteristics of SPD Bank was formed.

The Bank optimized its customer evaluation system for tech companies, reshaped the risk logic with data as the driving force, and created an enterprise-level technology label library by integrating diversified information sources. These efforts resulted in an exclusive evaluation regime for technology finance and a “six-pronged” risk control strategy. To advance technology finance toward digital and intelligent development, the “Sperm Whale” digital customer acquisition tool was launched, which can accurately identify customer needs on a large scale and enable full-process control and digital penetration of customer service, thereby enhancing the effectiveness of business development through digital and intelligent means.

### Green finance

As one of the earliest banks to explore green finance in China, SPD Bank actively supported the national goal of “carbon peaking and carbon neutrality”, developed green finance at a strategic level, and established an innovative green finance system. Meanwhile, it launched the “SPDB Green Creation” brand, made progress in building a green bank, and implemented green and low-carbon practices.

During the reporting period, the Bank continued to enhance its innovation capabilities, landing a number of first deals in the market. These included Shanghai’s first “photovoltaic+” demonstration project loan in the transportation sector, the first green business buyout repo project in the interbank market, the first transition loan aligned with Shanghai’s transition finance standards, China’s first e-CNY green ultra-short-term financing bond, China’s first carbon asset bond for coal enterprises, and the first green S&T bond for private enterprises in the market. Additionally, it increased investments in green bonds and green asset-backed securities/notes, and released the market’s only bond index that combined green and inclusive concepts. Moreover, it also invested in the market’s first green free trade zone (FTZ) bond, one of the first offshore RMB green bonds, the first UN SDG dim sum bond, and the first sustainability-linked Panda bond for Hong Kong enterprises.

As at the end of the reporting period, the balance of green credit was RMB524.6 billion, an increase of RMB97.5 billion or 22.82% from the end of a year earlier. Among the figure, the balance of green credit in the Yangtze River Delta region amounted to RMB215.1 billion, and the balance of loans for the clean energy industry totaled RMB135.1 billion, both of which ranked at the top among all joint-stock commercial banks in China. With the support of carbon emission reduction instruments, the Bank issued carbon emission reduction loans of RMB5.2 billion to 64 projects, which contributed to an annual reduction of 1.51 million tons in CO<sub>2</sub> equivalent (tco<sub>2e</sub>). Since the obtainment of carbon emission reduction instruments, the Bank has issued carbon emission reduction loans of RMB18.6 billion to 151 projects in total, which contributed to an annual reduction of 5 million tons in CO<sub>2</sub> equivalent, a figure at the forefront

of joint-stock commercial banks in China. The Bank underwrote RMB5,334 million of green debt financing instruments, including RMB1.38 billion in carbon-neutral bonds.

### **Inclusive finance**

To implement the *State Council's Opinions on Promoting the High-quality Development of Inclusive Finance*, the Bank launched 30 initiatives tailored to serve micro and small enterprises as part of its inclusive finance efforts. In terms of products, "SPD Inclusive Mortgage Loan", "Home Mortgage Quick Loan", and "SPD Inclusive Easy Loan" were unveiled as three new products designed to meet the financing needs of micro and small enterprises and self-employed individuals. The bank-tax loan was upgraded to manage the bank-guarantee cooperation business with intensified efforts. The loan renewal loan business was refined to deliver a better loan renewal experience. The supply chain products were continuously upgraded, with expanded supply chain scenarios, and online business loans became a key growth pole in inclusive loans, all aiming to increase financial support for micro and small enterprises. As to risk control, the Bank continued to build a full-process digital risk control system. This involved increasing the introduction and use of data, upgrading or refining models and strategies, and establishing a risk insight management platform that could support intelligent risk sensing, risk prompting, model strategy iteration, and online review and deployment. Moreover, it built an intelligent collection system to better manage risks associated with online business. This system implemented a multi-channel and multi-directional collection approach to enhance online, digitalized, and intelligent asset quality control.

### **Pension finance**

During the reporting period, the Bank actively implemented directives from the State and regulatory authorities, and continuously elevated the strategic positioning of its pension annuity business. It promoted the development of pension annuity finance, elderly service finance, and pension industry finance, and effectively and promptly engaged with government departments, elderly service enterprises, and financial institutions to realize the high value of personal pension finance. Continuous improvements were made to the "Puyue Jinsheng" pension finance service system.

**Pension annuity finance** consists of three pillars. As to the first pillar of basic pension annuity, the Bank has long served social security insurance management centers in many places to make basic pension payments by proxy. As per local government requirements, it enhanced social security cards by incorporating various functions such as social security insurance, financial services, medical care, and urban services. Standardized service outlets for "social security-banking cooperation" were established along with designated areas for business handling and business promotion. Regarding the second pillar of occupational and enterprise annuities, the Bank continued its efforts to digitize annuity custodianship and account management. It developed a digital custodianship operation system characterized by "full-process visibility, full-scale control, complete intelligence, and panoramic service availability". Meanwhile, the Bank strengthened investment supervision, and improved the performance and automation of the investment supervision system to ensure the safe operation of annuity funds. As at the end of the reporting period, the Bank had more than RMB420 billion of various annuity assets under its custody, serving more than 6,000 enterprises nationwide. With respect to the third pillar of personal pension annuity, the Bank continued to raise its digital



service standards and enhance its public service capabilities. It actively connected to the e-government platforms of various localities and initiated the “Suishenban” personal pension service zone on a pilot basis. This zone provided residents with one-stop services such as online opening of personal pension accounts and inquiry into such accounts. Moreover, the Bank built three-dimensional customer service channels, both online and offline. It launched nearly a hundred personal pension products, such as savings, wealth management, funds, and insurance, and provided customized pension finance investment solutions tailored to the characteristics of various customer groups.

In the field of **elderly service finance**, the Bank introduced the elderly care version of the Personal Mobile Banking app to provide better guidance for high-frequency services. This involved adding easily accessible entrances to frequently-used functions such as fund transfer, bill payment, and product reorder, optimizing the presentation of information on branch reservation addresses and queuing, and simplifying business handling steps for elderly users. Enhanced guidance prompts were implemented for key business nodes, with action instructions added to the step of facial recognition. The app supported voice broadcasting for key information and allowed users to shake their devices to call up human customer service, thereby enhancing the efficiency of complex business processing. The Bank enhanced security services, built a repository of fraud prevention tips, and promptly publicized typical cases of anti-fraud to safeguard the funds of elderly customers. During the reporting period, the Bank provided services to 6.06 million elderly customers aged over 60 years old. Through smart terminals supporting the elderly care version of the app, elderly-friendly services became available across all offline outlets of the Bank. Bank cards could be issued and activated in a one-stop process by connecting with remote tellers, registering a total of nearly 1.5 million person-times of service during the reporting period.

In terms of **pension industry finance**, the Bank supported the development of the pension industry by increasing the supply of credit resources, such as working capital loans, infrastructure construction loans, technical upgrading loans, and syndicated loans for the pension industry. This effort aimed to satisfy the financing needs of various companies in the pension industry engaged in elderly care, elderly medical care, and health services. Furthermore, the Bank also provided a variety of cash management and settlement services, such as centralized collection and payment by proxy, RMB fund pooling, and direct bank-enterprise linkage to enterprises in the senior care industry, helping them improve the efficiency of fund utilization.

## Digital finance

In the Internet era, big data, AI, and cloud computing have become essential production factors and technological pillars. As a pioneer in financial technology, the Bank has intensified its efforts in digital and intelligent innovation to drive the development of digital finance. By empowering business expansion externally and improving operational efficiency internally, it has advanced the deep integration of digital technology with financial services to fuel the growth of the digital economy.

### Digital transformation of businesses

(1) In the field of corporate banking business, the Bank built a global treasury platform (GMTS). As an integrated service system encompassing “collection, management, payment, and financing”, the platform could provide “Going Global” Chinese enterprises with one-stop



services across multiple currencies, languages, time zones, and banking institutions to realize unified global fund management. Through the “Sperm Whale” big data technology, the Bank conducted mobile, penetrating marketing campaigns to effectively underpin the development of science and tech finance business. Meanwhile, a series of business platforms and systems were established to manage customers in a digital and penetrating manner. These platforms included the “SPD Intelligence” investment banking platform, “SPD Intelligence e Procurement” M&A financing support system, “SPD Intelligence e Communication” customer consulting and advisory service platform, “SPD Intelligence e Financing” medium and long-term financing service platform, and “SPD Chain e Financing” supply chain financing platform.

(2) In the area of retail banking business, the Mobile Banking app was upgraded with the addition of the “Xiaopu Payment” zone to provide a one-stop service experience for payment and settlement customer segments, thereby creating a professional, convenient, and inclusive payment brand. A user experience monitoring system was also established for the app. Core financial services, such as wealth management, lending, and settlement, were enhanced with a redesigned functional layout, simplified service journey, and refreshing interactive design. The Fortune column strengthened the wealth cooperation ecosystem by providing professional wealth knowledge comprehensible to ordinary investors, interactions on trending topics, and investment education experiences. The digital asset management module deepened the human-machine collaboration, serving nearly 20 million customers during the reporting period. As at the end of the reporting period, the Mobile Banking app had 29.08 million monthly active users (MAU), representing an increase of 14.71% over the previous year, and registered a transaction volume of RMB11.10 trillion, both of which ranked at the top among all joint-stock commercial banks in China. In the digital credit business line, the Bank launched “SPD Flash Loan”, a consumer loan product with revolving lines of credit available both online and offline. The product recorded a net increase of RMB35.7 billion in consumer loans compared with the end of the previous year. In the housing mortgage business, the Bank developed the “Intelligent Fast Mortgage” product to enhance the accuracy of loan application pre-approval and improve automated risk detection capabilities.

(3) In the field of financial market business, the Bank upgraded its intelligent investment research, trading, and monitoring platforms. It improved the custody business system, iterated and optimized a complete set of bills business models, and provided intelligent solutions for risk hedging business. During the reporting period, nearly 750 intelligent investment research reports were produced; over 5.88 million external programmed quotes were made for bonds; and 9 million external programmed quotes were made for foreign exchange business. The AI trader “Xiaopu” served 261 financial institutions, facilitating transactions worth over RMB2.8 trillion.

(4) In the area of risk compliance, the Bank improved its joint risk prevention and control system for accounts, customers, products, and channels. It integrated with the Sky Eye system to strengthen the identification and monitoring of business risks. It built automated approval models, enriched risk forewarning and monitoring rules, and intensified the deployment of real-time, dynamic control rules, to continuously enhance anti-money laundering (AML) risk prevention and identification capabilities. As to technology-enabled compliance and risk control, the Bank embedded relevant requirements more effectively in business processes and replaced human control by machine control, with a view to reducing operational risk. The

intelligent monitoring platform of the Bank supported automated screening of 10 types of abnormal situations, capable of identifying 300 abnormal transactions per month.

(5) In the field of internal management, the Bank continued to improve the user experiences of its office software “Call SPDB”, new email system, and new office automation (OA) system. It optimized the internal carbon footprint platform and launched the Head Office’s “SPD Cloud Carbon Control” intelligent system to monitor electricity consumption, to which 100 outlets were connected during the reporting period. This initiative saved about 1.7 million kWh of electricity and reduced 992 tons of carbon emissions throughout the year. Moreover, the Bank completed the iterative optimization of the human resources management system and the accounting management system to better support business management decisions.

### **Management of data assets**

The Bank actively explored and participated in the data factor market, and cemented data cooperation with local governments. With a focus on customer acquisition, scale expansion, risk prevention and control, and business management, it facilitated the implementation of data ecosystem scenarios. By leveraging data as a bridge, the Bank provided a wider range of “one-stop” financial services, enhancing the value of data. The Bank’s data assets amounted to RMB62.51 petabytes (PB), marking a 51.17% surge from the end of last year.

### **Digital technological foundation**

To bolster its capability in supporting business scenarios on AI-enabled basic platforms, the Bank independently developed and launched a large model application support platform. This platform could offer core functionalities such as large model inference and knowledge management, facilitating the online operation of 10 large model application scenarios. These scenarios include intelligent risk analysis for enterprises and Q&A sessions on audit policies. As a result of these efforts, the Bank became the first in the industry to obtain flagship-level certification for Artificial Intelligence-enabled Research, Development, and Operation Integration (MLOps) Service Capabilities, as formulated by the China Academy of Information and Communications Technology (CAICT). Simultaneously, the Bank advanced the development of a distributed architecture system, which has now reached a significant milestone with an extreme load capacity supporting 100,000 transactions per second (TPS) and second-level automatic switching in case of a fault. Furthermore, continuous strides were made in obtaining patents for digital technology innovation. As at the end of the reporting period, the Bank submitted a total of 974 IT patent applications, with 124 patents granted or maintained in force.

### **3.2.4 Serving the building of Shanghai as “five centers” with enhanced “four major functions”**

As a flagship financial enterprise headquartered in Shanghai, the Bank thoroughly implemented the guiding principles of General Secretary Xi Jinping’s important speech during his visit to Shanghai. In alignment with Shanghai’s development goals, it took the initiative to fully support the city’s ascent as five centers, namely international economic center, financial center, trade center, shipping center, and scientific and technological innovation center. With the mission of prioritizing scientific and technological innovation to drive reform and opening up and major national strategies, the Bank played a crucial role in enhancing the city’s overall level and core competitiveness.

**Engaging in the development of a financial factor market, supporting the building of Shanghai as an international financial center, and enhancing the city's role in global resource allocation.** The Bank continued to play its role in market price discovery and risk management. With more than 30 financial market businesses ranking among top three in the market, it landed more than 50 of the market's first deals. The "E peer" financial institution customer management platform, designed for ecological scenarios, registered an online transaction volume of approximately RMB1.7 trillion and nearly 2,800 registered customers as at the end of the reporting period. This platform effectively enhanced support for bond lending, interest rate bond, and other businesses. "SPDB Risk Hedging" served around 24,000 customers. It supported nearly 800 corporate customers in obtaining policy dividends to reduce financing costs, which involved corporate financing of more than RMB130 billion. The "SPD Custodian" app built an online custodian service system targeting all users, covering all channels, providing scenario-based services, and supporting visualized operations. The app recorded an annual user growth rate of more than 20%.

**Continuously promoting innovation in FTZ business, supporting the building of Shanghai as an international trade center, and enhancing the function of the city as a portal for opening up.** The Bank was one of the first in the industry to set up a branch in the Shanghai Free Trade Zone (FTZ), leading the way in achieving full coverage of FT business in all its Shanghai outlets. As a result, it had more than 3,100 active FT customers in Shanghai and recorded a cumulative cross-border transaction volume of RMB927.2 billion during the year, marking a year-on-year increase of nearly 18%. The Bank's core indicators of FT business led the market. Additionally, the Bank established a branch in Lin-gang Special Area, forming a joint taskforce with the Administrative Committee of Lin-gang Special Area to support Lin-gang's rise as an institutional supply and innovation hub in cross-border finance. The branch secured first deals for 20 innovative businesses in the special area. These deals included the first full-functional local and foreign currency integrated capital pool, the first cross-border RMB facilitation service, one of the first offshore economic and trade business settlements, one of the first cross-border asset transfers under domestic trade finance business, and one of the first foreign exchange businesses as part of the higher-standard foreign exchange reform. Additionally, the Bank supported the availability of single-window services for cross-border finance and international trade in the FTZ. It completed the deployment of functions such as "China-Europe Railway Express freight payment", "domestic payment of ocean freights denominated in foreign currencies", and "cross-border purchase and payment of foreign exchange". Moreover, the "FTZ Innovation Laboratory" was established to further drive innovations in areas such as the free flow of cross-border capital, free investments in cross-border trade, and liberalization of financial factor markets.

**Elevating the level of technology finance services, supporting the building of Shanghai as an international scientific and technological innovation center, and enhancing the city's role as a cradle for scientific and technological innovation.** The Bank continuously strengthened its cooperation with governments at all levels, industrial parks, and private equity/venture capital (PE/VC) funds in Shanghai to upgrade or improve a number of products such as "Maker Loan", credit loans for "little giant" enterprises, and sci-tech loans with options embedded. This effort aimed to create a comprehensive financial service model featuring "financing, intelligence, technology, and investment". The Bank released the Investment Banking Service Program for Enterprises Listed on the Science and Technology Innovation Board, integrating the Group's

resources to support the growth of tech companies. In cooperation with the SSE, it established the “SPD Shangbei” STAR Market studio to provide listing consultancy and cultivation services for high-quality enterprises across the country. To date, the Bank has partnered with 86.2% of the companies listed on the Shanghai-based STAR Market. With a focus on supporting the upgrading and retrofitting of industrial parks, the Bank established four specialized working mechanisms to implement the Shanghai Municipal People’s Government’s Measures on Promoting “Intellectual Manufacturing Spaces” Building for Industries. It took the lead in launching the exclusive credit product “Intellectual Manufacturing Space Loan”, which provided practical explorations for expanding the development space of the manufacturing industry, unleashing productivity, and increasing the proportion of industry in Shanghai.

**Supporting the transformation and upgrading of the real economy, contributing to the building of Shanghai as an international economic center, and enhancing the city’s role in leading the development of high-end industries.** Based on key industries, the Bank channeled more resources into promoting scientific and technological innovation in niche sectors, a prerequisite for facilitating the beneficial circle of “S&T – industry – finance”. At the same time, it continuously increased the medium and long-term credit resources allocated to the manufacturing industry, promoting its high-end, intelligent, and green development. While making full use of relevant policy tools, project lists, and enterprise lists, the Bank took the initiative to align with major national projects, critical projects, and special projects in the manufacturing field. It increased the support for Shanghai-based entities, especially SOEs, in strategic emerging industries such as integrated circuits, AI, biomedicine, and civil aviation. These efforts aimed to help Shanghai become a pivotal player in domestic circulation and a strategic link between domestic and international circulations. As at the end of the reporting period, the collective balance of various loans granted by Shanghai Branch amounted to RMB618,843 million, of which the balance of medium and long-term loans to the manufacturing industry soared by 24.80% as compared with the end of the previous year.

**Focusing on the core financial needs of the shipping industry, facilitating the building of Shanghai as an international shipping center, and enhancing the city’s capacity for global allocation of shipping resources.** The Bank took multiple measures to promote the integration of shipping with finance toward innovative development, while creating financial products and service programs tailored for major transportation hub projects across the entire industrial chain, encompassing project construction, investment introduction, and operation. It launched a series of exclusive financial products such as “Smart Exchange Port” and “Freight Forwarder Connect”, to intensify the building of a shipping finance ecosystem. It also focused on cementing cooperation with China COSCO Shipping Corporation Limited and other large corporations in the upstream and downstream industrial chains such as shipping, terminals, and logistics. The Bank actively supported the construction of the Oriental Hub Shanghai East Railway Station project through advantageous products such as account clearing services and syndicated loans. SPDB Financial Leasing, a subsidiary of the Group, deeply engaged in ship leasing business to support the financing needs of state-owned shipbuilding projects and shipping enterprises in China. Furthermore, the Bank assisted Shanghai in gathering resources of global shipping enterprises to build itself as a world-class transportation hub connecting the Yangtze River Delta and the rest of the world.

### 3.3 IT Input

|                                                                               | 2023     | 2022     | Increase (%) |
|-------------------------------------------------------------------------------|----------|----------|--------------|
| IT input (In RMB millions)                                                    | 6,965.49 | 7,007.04 | -0.59        |
| The number of persons engaged in technological development at the parent bank | 6,425    | 6,447    | -0.34        |

### 3.4 Analysis of Income Statement

During the reporting period, the Group managed to develop various businesses. Its operating income hit RMB173,434 million, down RMB15,188 million or 8.05% year on year, and the net profit attributable to the parent company's shareholders posted RMB36,702 million, a decrease of 28.28% year on year.

| In RMB millions                                                           |                      |                          |                  |
|---------------------------------------------------------------------------|----------------------|--------------------------|------------------|
| Item                                                                      | The reporting period | Same period of last year | Change in amount |
| Operating income                                                          | 173,434              | 188,622                  | -15,188          |
| –Net interest income                                                      | 118,435              | 133,669                  | -15,234          |
| –Net fee and commission income                                            | 24,453               | 28,691                   | -4,238           |
| –Other net income                                                         | 30,546               | 26,262                   | 4,284            |
| Operating expenses                                                        | 132,698              | 132,349                  | 349              |
| –Tax and surcharges                                                       | 2,002                | 2,059                    | -57              |
| –General and administrative expenses                                      | 51,424               | 52,607                   | -1,183           |
| –Impairment losses on credit assets and impairment losses on other assets | 76,863               | 75,999                   | 864              |
| –Other operating costs                                                    | 2,409                | 1,684                    | 725              |
| Net non-operating income and expenses                                     | -44                  | -124                     | 80               |
| Total profit                                                              | 40,692               | 56,149                   | -15,457          |
| Income tax expense                                                        | 3,263                | 4,152                    | -889             |

|                                                              |        |        |         |
|--------------------------------------------------------------|--------|--------|---------|
| Net profit                                                   | 37,429 | 51,997 | -14,568 |
| Net profit attributable to the parent company's shareholders | 36,702 | 51,171 | -14,469 |
| Minority interest income                                     | 727    | 826    | -99     |

### 3.4.1 Operating income

During the reporting period, the Group's total business income was RMB360,179 million, representing a year-on-year decrease of RMB3,369 million or 0.93%.

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                              | 2023   | 2022   | 2021   |
|-----------------------------------|--------|--------|--------|
| Net interest income (%)           | 68.29  | 70.87  | 71.19  |
| Net fee and commission income (%) | 14.10  | 15.21  | 15.25  |
| Other net income (%)              | 17.61  | 13.92  | 13.56  |
| Total                             | 100.00 | 100.00 | 100.00 |

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

| Item                                                                                   | In RMB millions                  |                                         |                                                             |
|----------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------|-------------------------------------------------------------|
|                                                                                        | Amount during the current period | Percentage in total business income (%) | Increase/decrease over the same period of previous year (%) |
| Loan interest income                                                                   | 206,549                          | 57.35                                   | -4.78                                                       |
| Interest income on investment                                                          | 65,896                           | 18.30                                   | 6.35                                                        |
| Fee and commission income                                                              | 32,035                           | 8.89                                    | -15.18                                                      |
| Interest income on due from and placements with banks and other financial institutions | 19,583                           | 5.44                                    | 30.24                                                       |
| Interest income from balance with central bank                                         | 5,570                            | 1.55                                    | -0.52                                                       |
| Other income                                                                           | 30,546                           | 8.47                                    | 16.31                                                       |
| Total                                                                                  | 360,179                          | 100.00                                  | -0.93                                                       |

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

In RMB millions

| Region                                           | Operating income | Percentage (%) | Operating profit | Percentage (%) |
|--------------------------------------------------|------------------|----------------|------------------|----------------|
| Head Office                                      | 67,701           | 39.04          | -1,425           | -3.50          |
| Yangtze River Delta Region                       | 38,381           | 22.13          | 22,947           | 56.33          |
| Pearl River Delta and West Side of Taiwan Strait | 12,554           | 7.24           | 5,069            | 12.44          |
| Bohai Rim                                        | 13,922           | 8.03           | 4,051            | 9.94           |
| Central China                                    | 11,807           | 6.81           | 645              | 1.58           |
| Western China                                    | 10,971           | 6.33           | 1,378            | 3.38           |
| North-eastern China                              | 3,057            | 1.76           | 1,881            | 4.62           |
| Overseas institutions and subsidiaries           | 15,041           | 8.66           | 6,190            | 15.21          |
| Total                                            | 173,434          | 100.00         | 40,736           | 100.00         |

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

- (1) Head Office: Headquarters (Head Office and institutions directly under it);
- (2) Yangtze River Delta: Branches in Shanghai, Jiangsu, Zhejiang and Anhui;
- (3) Pearl River Delta and West Side of Taiwan Straits: Branches in Guangdong and Fujian;
- (4) Bohai Rim: Branches in Beijing, Tianjin, Hebei and Shandong;
- (5) Central China: Branches in Shanxi, Henan, Hubei, Hunan, Jiangxi and Hainan;
- (6) Western China: Branches in Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet;
- (7) North-eastern China: Branches in Liaoning, Jilin and Heilongjiang;
- (8) Overseas institutions and subsidiaries: Overseas branches and domestic and overseas affiliates.

### 3.4.2 Net interest income

During the reporting period, the Group incurred a net interest income of RMB118,435 million, a decrease of RMB15,234 million or 11.40% year on year.

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

In RMB millions

| Interest-earning assets                                             | The reporting period |                 |                   | Same period of last year |                 |                   |
|---------------------------------------------------------------------|----------------------|-----------------|-------------------|--------------------------|-----------------|-------------------|
|                                                                     | Average balance      | Interest income | Average yield (%) | Average balance          | Interest income | Average yield (%) |
| Loans and advances                                                  | 4,846,970            | 206,549         | 4.26              | 4,765,867                | 216,921         | 4.55              |
| Investments                                                         | 1,905,025            | 65,896          | 3.46              | 1,750,402                | 61,964          | 3.54              |
| Balance with central bank                                           | 357,196              | 5,570           | 1.56              | 373,734                  | 5,599           | 1.50              |
| Due from and placements with banks and other financial institutions | 678,156              | 19,583          | 2.89              | 682,979                  | 15,036          | 2.20              |
| Total                                                               | 7,787,347            | 297,598         | 3.82              | 7,572,982                | 299,520         | 3.96              |

In RMB millions

| Interest-bearing liabilities                                      | The reporting period |                  |                        | Same period of last year |                  |                        |
|-------------------------------------------------------------------|----------------------|------------------|------------------------|--------------------------|------------------|------------------------|
|                                                                   | Average balance      | Interest expense | Average cost ratio (%) | Average balance          | Interest expense | Average cost ratio (%) |
| Deposits from customers                                           | 4,884,236            | 105,378          | 2.16                   | 4,610,838                | 96,828           | 2.10                   |
| Due to and placements from banks and other financial institutions | 1,395,788            | 34,917           | 2.50                   | 1,177,806                | 23,829           | 2.02                   |
| Debt securities issued                                            | 1,212,737            | 33,894           | 2.79                   | 1,398,338                | 39,212           | 2.80                   |
| Due to central bank                                               | 198,452              | 4,974            | 2.51                   | 208,562                  | 5,982            | 2.87                   |
| Total                                                             | 7,691,213            | 179,163          | 2.33                   | 7,395,544                | 165,851          | 2.24                   |

### 3.4.2.1 Interest income

During the reporting period, the Group generated interest income of RMB297,598 million, down RMB1,922 million or 0.64% year on year.



## Interest income from loans and advances

In RMB millions

|                  | The reporting period |                 |                   | Same period of last year |                 |                   |
|------------------|----------------------|-----------------|-------------------|--------------------------|-----------------|-------------------|
|                  | Average balance      | Interest income | Average yield (%) | Average balance          | Interest income | Average yield (%) |
| Corporate loans  | 2,653,892            | 102,076         | 3.85              | 2,460,496                | 96,127          | 3.91              |
| Retail loans     | 1,859,486            | 98,636          | 5.30              | 1,881,180                | 110,209         | 5.86              |
| Discounted bills | 333,592              | 5,837           | 1.75              | 424,191                  | 10,585          | 2.50              |

Note: Of these, the average yield of general short-term loans and medium and long-term loans was 4.89% and 4.20%, respectively.

### Interest income on investment

During the reporting period, the Group's interest income on investment stood at RMB65,896 million, representing a year-on-year increase of 6.35%. The average yield on investment was 3.46%, representing a decrease of 0.08 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 RMB19,583 million, up 30.24% over the prior year; and it saw the average yield from such business increasing by 0.69 percentage point over last year to 2.89%.

#### 3.4.2.2 Interest expense

During the reporting period, the Group's interest expense was RMB179,163 million, representing a year-on-year increase of RMB13,312 million or 8.03%. 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 RMB105,378 million, representing a year-on-year increase of 8.83%. The average cost ratio reported 2.16%, representing an increase of 0.06 percentage point over the prior year.

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

In RMB millions

|                            | The reporting period |                  |                        | Same period of last year |                  |                        |
|----------------------------|----------------------|------------------|------------------------|--------------------------|------------------|------------------------|
|                            | Average balance      | Interest expense | Average cost ratio (%) | Average balance          | Interest expense | Average cost ratio (%) |
| <b>Corporate customers</b> |                      |                  |                        |                          |                  |                        |
| Current deposits           | 1,723,355            | 25,706           | 1.49                   | 1,746,931                | 25,042           | 1.43                   |
| Time deposits              | 1,796,706            | 49,712           | 2.77                   | 1,747,138                | 46,026           | 2.63                   |
| <b>Retail customers</b>    |                      |                  |                        |                          |                  |                        |
| Current deposits           | 349,609              | 750              | 0.21                   | 321,261                  | 869              | 0.27                   |
| Time deposits              | 1,014,566            | 29,210           | 2.88                   | 795,460                  | 24,891           | 3.13                   |

### 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 RMB34,917 million, an increase of 46.53% over the previous year.

### Interest expense on debt securities issued

During the reporting period, the Group recorded interest expenses of RMB33,894 million on debt securities in issue, a decrease of 13.56% over the previous year.

### 3.4.3 Net non-interest income

During the reporting period, the Group racked up the net non-interest income in RMB54,999 million, up 0.08% year on year. Specifically, net fee and commission income fell by 14.77% to RMB24,453 million, and other non-interest income went up by 16.31% to RMB30,546 million.

In RMB millions

| Item                          | The reporting period |                | Same period of last year |                |
|-------------------------------|----------------------|----------------|--------------------------|----------------|
|                               | Amount               | Percentage (%) | Amount                   | Percentage (%) |
| Net fee and commission income | 24,453               | 44.46          | 28,691                   | 52.21          |

|                                         |        |        |        |        |
|-----------------------------------------|--------|--------|--------|--------|
| Incl.: Fee and commission income        | 32,035 | 58.25  | 37,766 | 68.72  |
| Fee and commission expenses             | -7,582 | -13.79 | -9,075 | -16.51 |
| Profit or loss on investments           | 27,905 | 50.74  | 19,877 | 36.17  |
| Profit or loss on changes in fair value | 2,563  | 4.66   | -3,854 | -7.01  |
| Exchange profit or loss                 | -3,536 | -6.43  | 6,692  | 12.18  |
| Other business income                   | 2,805  | 5.10   | 2,812  | 5.12   |
| Profit or loss on asset disposal        | 72     | 0.13   | 84     | 0.15   |
| Other income                            | 737    | 1.34   | 651    | 1.18   |
| Total                                   | 54,999 | 100.00 | 54,953 | 100.00 |

#### 3.4.3.1 Fee and commission income

During the reporting period, the Group incurred a fee and commission income of RMB32,035 million, a decrease of RMB5,731 million or 15.18% year on year.

In RMB millions

| Item                                                      | The reporting period |                | Same period of last year |                |
|-----------------------------------------------------------|----------------------|----------------|--------------------------|----------------|
|                                                           | Amount               | Percentage (%) | Amount                   | Percentage (%) |
| Fees from bank card business                              | 13,344               | 41.65          | 14,403                   | 38.14          |
| Fees from custody business and other fiduciary activities | 5,382                | 16.80          | 11,222                   | 29.71          |
| Fees from investment banking activities                   | 3,293                | 10.28          | 3,775                    | 10.00          |
| Agency commission                                         | 5,292                | 16.52          | 4,090                    | 10.83          |
| Credit commitment fees                                    | 2,424                | 7.57           | 2,093                    | 5.54           |
| Settlement and clearing fees                              | 1,017                | 3.17           | 992                      | 2.63           |
| Others                                                    | 1,283                | 4.01           | 1,191                    | 3.15           |

|       |        |        |        |        |
|-------|--------|--------|--------|--------|
| Total | 32,035 | 100.00 | 37,766 | 100.00 |
|-------|--------|--------|--------|--------|

### 3.4.3.2 Profit or loss on investments

During the reporting period, the Group reaped an income on investments of RMB27,905 million, a year-on-year increase of 40.39%.

| In RMB millions                                                |                      |                |                          |                |
|----------------------------------------------------------------|----------------------|----------------|--------------------------|----------------|
| Item                                                           | The reporting period |                | Same period of last year |                |
|                                                                | Amount               | Percentage (%) | Amount                   | Percentage (%) |
| Held-for-trading financial assets                              | 17,161               | 61.50          | 16,954                   | 85.29          |
| Discounted bills and trade finance                             | 1,534                | 5.50           | 2,188                    | 11.01          |
| Precious metals                                                | -3,843               | -13.77         | -3,866                   | -19.45         |
| Investments on long-term equity as calculated by equity method | 223                  | 0.80           | 230                      | 1.16           |
| Other equity instrument investments                            | 67                   | 0.24           | 121                      | 0.61           |
| Other creditor's rights investments                            | -729                 | -2.61          | 321                      | 1.61           |
| Derivatives                                                    | 6,533                | 23.41          | 795                      | 4.00           |
| Creditor's rights investments                                  | 2,419                | 8.67           | 2,683                    | 13.50          |
| Others                                                         | 4,540                | 16.26          | 451                      | 2.27           |
| Total                                                          | 27,905               | 100.00         | 19,877                   | 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 RMB2,563 million.

| In RMB millions |                      |                |                          |                |
|-----------------|----------------------|----------------|--------------------------|----------------|
| Item            | The reporting period |                | Same period of last year |                |
|                 | Amount               | Percentage (%) | Amount                   | Percentage (%) |
| Precious metals | 3,571                | 139.33         | -3,069                   | 79.63          |

|                                                     |        |         |        |        |
|-----------------------------------------------------|--------|---------|--------|--------|
| Held-for-trading financial instruments              | 3,846  | 150.06  | -2,594 | 67.31  |
| Hedged bonds                                        | 451    | 17.60   | -497   | 12.90  |
| Loans measured at fair value through profit or loss | -31    | -1.21   | -103   | 2.67   |
| Derivatives                                         | -5,255 | -205.03 | 2,396  | -62.17 |
| Others                                              | -19    | -0.75   | 13     | -0.34  |
| Total                                               | 2,563  | 100.00  | -3,854 | 100.00 |

#### 3.4.4 General and administrative expenses

During the reporting period, the Group's general and administrative expenses were RMB51,424 million, representing a year-on-year decrease of 2.25%. Cost-to-income ratio was 29.65%, representing a year-on-year increase of 1.76 percentage points.

In RMB millions

| Item                                                     | The reporting period |                | Same period of last year |                |
|----------------------------------------------------------|----------------------|----------------|--------------------------|----------------|
|                                                          | Amount               | Percentage (%) | Amount                   | Percentage (%) |
| Employee expenses                                        | 28,507               | 55.44          | 28,937                   | 55.01          |
| Depreciation and amortization expenses                   | 7,075                | 13.76          | 6,801                    | 12.93          |
| Fees on short-term leases and leases of low-value assets | 344                  | 0.67           | 374                      | 0.71           |
| Others                                                   | 15,498               | 30.13          | 16,495                   | 31.35          |
| Total                                                    | 51,424               | 100.00         | 52,607                   | 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 RMB55,713 million, down 14.48% year on year.

In RMB millions

| Item of impairment losses       | The reporting period |                | Same period of last year |                |
|---------------------------------|----------------------|----------------|--------------------------|----------------|
|                                 | Amount               | Percentage (%) | Amount                   | Percentage (%) |
| Loans and advances to customers | 55,713               | 72.48          | 65,143                   | 85.72          |
| Other assets                    | 21,150               | 27.52          | 10,856                   | 14.28          |
| Total                           | 76,863               | 100.00         | 75,999                   | 100.00         |

### 3.4.6 Income tax expense

During the reporting period, the Group incurred an income tax of RMB3,263 million, a year-on-year decrease of RMB889 million or 21.41%. The effective income tax rate was 8.02%, up 0.63 percentage point year on year.

In RMB millions

| Item                                                  | The reporting period | Same period of last year |
|-------------------------------------------------------|----------------------|--------------------------|
| Profit before income tax                              | 40,692               | 56,149                   |
| Income tax calculated at China's statutory tax rate   | 10,173               | 14,037                   |
| Effect of different tax rates applied by subsidiaries | 45                   | 49                       |
| Effect of expenses that are not deductible            | 3,275                | 982                      |
| Effect arising from income not subject to tax         | -10,172              | -10,035                  |
| Other income tax adjustments                          | -58                  | -881                     |
| Income tax expense                                    | 3,263                | 4,152                    |
| Effective income tax rate (%)                         | 8.02                 | 7.39                     |

## 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 RMB9,007,247 million, representing an increase of RMB302,596 million or 3.48%, as compared with the end of the previous year.

In RMB millions

| Item                                                                | End of the reporting period |                | End of last year |                |
|---------------------------------------------------------------------|-----------------------------|----------------|------------------|----------------|
|                                                                     | Amount                      | Percentage (%) | Amount           | Percentage (%) |
| Total loans                                                         | 5,017,754                   | 55.71          | 4,900,662        | 56.30          |
| Interest accrued on loans                                           | 16,362                      | 0.18           | 16,309           | 0.19           |
| Less: Allowance for impairment losses on loans at amortized cost    | -129,420                    | -1.44          | -118,621         | -1.36          |
| Financial investments                                               | 2,676,055                   | 29.71          | 2,555,463        | 29.36          |
| Long-term equity investment                                         | 2,825                       | 0.03           | 2,655            | 0.03           |
| Derivative financial assets                                         | 56,311                      | 0.63           | 42,829           | 0.49           |
| Cash and deposits with central bank                                 | 537,131                     | 5.96           | 457,089          | 5.25           |
| Due from and placements with banks and other financial institutions | 602,081                     | 6.68           | 643,054          | 7.39           |
| Goodwill                                                            | 5,351                       | 0.06           | 6,981            | 0.08           |
| Others                                                              | 222,797                     | 2.48           | 198,230          | 2.27           |
| Total                                                               | 9,007,247                   | 100.00         | 8,704,651        | 100.00         |

Note: In accordance with the Interim Measures for the Administration of Gold Leasing Business (Y.B.F. [2022] No.88), issued by the General Office of the PBC in July 2022, from 2023, for the gold leasing business carried out by the Group with financial institutions, the lease-out side was adjusted from “precious metals” to “placements with banks and other financial institutions” for recognition, while the lease-in side was adjusted from “held-for-trading

financial liabilities” to “placements from banks and other financial institutions” for recognition, with the comparative figures by the end of 2022 adjusted accordingly.

### 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 RMB5,017,754 million, an increase of 2.39% from the end of last year. The ratio of total loans and advances to total assets was 55.71%, representing a decrease of 0.59 percentage point as compared with the end of the previous year.

### 3.5.1.2 Financial investments

In RMB millions

| Item                                | End of the reporting period |                | End of last year |                |
|-------------------------------------|-----------------------------|----------------|------------------|----------------|
|                                     | Amount                      | Percentage (%) | Amount           | Percentage (%) |
| Held-for-trading financial assets   | 780,226                     | 29.16          | 708,984          | 27.74          |
| Creditor’s rights investments       | 1,271,082                   | 47.50          | 1,196,691        | 46.83          |
| Other creditor’s rights investments | 618,017                     | 23.09          | 641,918          | 25.12          |
| Other equity instrument investments | 6,730                       | 0.25           | 7,870            | 0.31           |
| Total                               | 2,676,055                   | 100.00         | 2,555,463        | 100.00         |

### Held-for-trading financial assets

In RMB millions

| Item                             | End of the reporting period |                | End of last year |                |
|----------------------------------|-----------------------------|----------------|------------------|----------------|
|                                  | Balance                     | Percentage (%) | Balance          | Percentage (%) |
| Bonds                            | 105,987                     | 13.58          | 116,753          | 16.47          |
| Trust and asset management plans | 14,801                      | 1.90           | 14,112           | 1.99           |
| Fund investments                 | 434,606                     | 55.70          | 358,185          | 50.52          |



|                               |         |        |         |        |
|-------------------------------|---------|--------|---------|--------|
| Securities income certificate | 39,723  | 5.09   | 20,348  | 2.87   |
| Equity investment             | 17,329  | 2.22   | 19,140  | 2.70   |
| Other investments             | 167,780 | 21.51  | 180,446 | 25.45  |
| Total                         | 780,226 | 100.00 | 708,984 | 100.00 |

#### Creditor's rights investments

In RMB millions

|                                  | End of the reporting period |                | End of last year |                |
|----------------------------------|-----------------------------|----------------|------------------|----------------|
| Item                             | Balance                     | Percentage (%) | Balance          | Percentage (%) |
| Bonds                            | 937,820                     | 73.78          | 808,698          | 67.58          |
| Trust and asset management plans | 285,987                     | 22.50          | 392,864          | 32.83          |
| Other investments                | 57,903                      | 4.55           | 177              | 0.01           |
| Accrued interest                 | 17,874                      | 1.41           | 14,424           | 1.21           |
| Allowance for impairment losses  | -28,502                     | -2.24          | -19,472          | -1.63          |
| Total                            | 1,271,082                   | 100.00         | 1,196,691        | 100.00         |

#### Other creditor's rights investments

In RMB millions

|                                  | End of the reporting period |                | End of last year |                |
|----------------------------------|-----------------------------|----------------|------------------|----------------|
| Item                             | Balance                     | Percentage (%) | Balance          | Percentage (%) |
| Bonds                            | 610,558                     | 98.79          | 635,072          | 98.93          |
| Trust and asset management plans | 20                          | 0.01           | -                | -              |

|                  |         |        |         |        |
|------------------|---------|--------|---------|--------|
| Accrued interest | 7,439   | 1.20   | 6,846   | 1.07   |
| Total            | 618,017 | 100.00 | 641,918 | 100.00 |

#### Other equity instrument investments

In RMB millions

| Item              | End of the reporting period |                | End of last year |                |
|-------------------|-----------------------------|----------------|------------------|----------------|
|                   | Amount                      | Percentage (%) | Amount           | Percentage (%) |
| Reposessed equity | 1,566                       | 23.27          | 2,700            | 34.31          |
| Other investments | 5,164                       | 76.73          | 5,170            | 65.69          |
| Total             | 6,730                       | 100.00         | 7,870            | 100.00         |

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

In RMB millions

| Item                                                             | End of the reporting period |                | End of last year |                |
|------------------------------------------------------------------|-----------------------------|----------------|------------------|----------------|
|                                                                  | Amount                      | Percentage (%) | Amount           | Percentage (%) |
| Ministry of Finance, local governments and central bank of China | 933,795                     | 56.44          | 868,635          | 55.66          |
| Policy banks                                                     | 355,366                     | 21.48          | 306,576          | 19.65          |
| Commercial banks and other financial institutions                | 181,994                     | 11.00          | 223,586          | 14.33          |
| Others                                                           | 183,210                     | 11.08          | 161,726          | 10.36          |
| Total                                                            | 1,654,365                   | 100.00         | 1,560,523        | 100.00         |

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

In RMB millions

| The Group                     | Par value | Annual interest rate (%) | Maturity date     | Allowance for impairment losses set aside |
|-------------------------------|-----------|--------------------------|-------------------|-------------------------------------------|
| Policy bank bonds 2023        | 16,840    | 3.10                     | 13 February 2033  | 2.10                                      |
| Policy bank bonds 2018        | 10,430    | 4.98                     | 12 January 2025   | 1.30                                      |
| Chinese government bonds 2023 | 9,640     | 2.52                     | 25 August 2033    | 0.00                                      |
| Chinese government bonds 2017 | 9,530     | 3.57                     | 22 June 2024      | 0.00                                      |
| Chinese government bonds 2017 | 9,230     | 3.69                     | 21 September 2024 | 0.00                                      |
| Policy bank bonds 2013        | 9,040     | 2.83                     | 16 June 2033      | 1.13                                      |
| Policy bank bonds 2018        | 8,930     | 4.73                     | 02 April 2025     | 1.11                                      |
| Policy bank bonds 2022        | 8,680     | 2.83                     | 11 August 2029    | 1.08                                      |
| Policy bank bonds 2023        | 8,640     | 2.82                     | 22 May 2033       | 1.08                                      |
| Policy bank bonds 2022        | 8,350     | 2.98                     | 22 April 2032     | 1.04                                      |

### 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 RMB2,825 million, up 6.40% from the end of last year. Specifically, the investment balance in joint ventures stood at RMB2,458 million, up 5.99% 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 the reporting period.

### 3.5.1.4 Derivatives

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

In RMB millions

|                           | End of the reporting period |        |             | End of last year |        |             |
|---------------------------|-----------------------------|--------|-------------|------------------|--------|-------------|
|                           | Notional amount             | Assets | Liabilities | Notional amount  | Assets | Liabilities |
| Interest rate derivatives | 4,694,725                   | 17,002 | 16,037      | 3,889,642        | 12,374 | 9,973       |

|                                                |           |        |        |           |        |        |
|------------------------------------------------|-----------|--------|--------|-----------|--------|--------|
| Exchange rate derivatives                      | 2,213,084 | 16,508 | 18,251 | 1,882,807 | 21,145 | 23,554 |
| Precious metal and other derivatives           | 666,916   | 22,801 | 18,005 | 332,377   | 9,310  | 3,999  |
| Total                                          |           | 56,311 | 52,293 |           | 42,829 | 37,526 |
| Derivatives designated as hedging instruments: |           |        |        |           |        |        |
| Fair value hedges                              |           |        |        |           |        |        |
| –Interest rate swap contracts                  | 14,375    | 106    | 72     | 12,048    | 545    | 100    |
| –Currency swap contracts                       | 7,447     | 18     | 39     | -         | -      | -      |
| Cash flow hedges                               |           |        |        |           |        |        |
| –Interest rate swap contracts                  | 422       | 22     | -      | 627       | 34     | -      |
| –Currency swap contracts                       | 52,760    | 117    | 135    | 20,788    | 134    | 148    |
| Total                                          |           | 263    | 246    |           | 713    | 248    |

### 3.5.1.5 Goodwill

The Group's goodwill primarily represents the Shanghai Trust asset group and the asset group of Shanghai Trust's related subsidiaries. As at the end of 2023, the cash flows from the above asset groups were largely independent from the cash inflows generated from other assets or asset groups. They were attributed to the trust business segment, the money brokerage segment, and the investment management segment, respectively.

As Shanghai Trust completed the equity transaction of China International Fund Management Co., Ltd. ("CIFM") during the reporting period, and the goodwill assets originally apportioned by the Group to CIFM have been transferred out.

The cash consideration from the disposal of the CIFM asset group was received by the Shanghai Trust asset group, thereby increasing its carrying value simultaneously. Except for the above, there were no changes in other asset groups to which the Group's goodwill belonged during the year.

Specific method of determining the recoverable amount: At the balance sheet date, the recoverable amount of the Shanghai Trust asset group is determined as the net fair value less disposal costs.

| Name           | Carrying value | Recoverable amount | Impairment amount | Method of determining fair value and disposal costs                                                         | Key parameter                               | Basis for determining key parameter                                                                                   |
|----------------|----------------|--------------------|-------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Shanghai Trust | 29,516         | 38,718             |                   | The comparable transaction method can be used to determine fair value and consider relevant disposal costs. | Price-to-book (P/B) ratio<br>(1.4x to 2.1x) | The P/B ratio is determined based on the comparable transaction P/B multiples and modified for specific risk factors. |

At the balance sheet date, the recoverable amount of the asset group of Shanghai Trust's related subsidiaries is determined on the basis of the present value of estimated future cash flows. The main parameters used for calculating the present value of future cash flows include revenue growth rate, EBIT margin, gross profit margin, and pre-tax discount rate. The Group determines the revenue growth rate, EBIT margin, and gross profit margin for the five-year forecast period on the basis of historical experience and market trends. This is done using the financial performance realized in the year prior to the forecast period, while taking into account the expected future limitations on the scope of operations and the level of related expenses. The Group determines the revenue growth rate for the stabilization period in the future based on the level of long-term inflation in China's economy and determines the EBIT margin and gross profit margin for the stabilization period based on the forecasts for the last period of the forecast period. The pre-tax discount rate reflects the specific risks associated with the future cash flows of the relevant asset group. At the balance sheet date, the recoverable amount of the asset group of Shanghai Trust's relevant subsidiaries was higher than the carrying amount, with no impairment incurred.

### 3.5.2 Analysis of liabilities

As at the end of the reporting period, total liabilities of the Group reached RMB8,274,363 million, representing an increase of RMB276,487 million or 3.46%, as compared with the end of the previous year.

In RMB millions

| Item           | End of the reporting period |                | End of last year |                |
|----------------|-----------------------------|----------------|------------------|----------------|
|                | Amount                      | Percentage (%) | Amount           | Percentage (%) |
| Total deposits | 4,984,630                   | 60.24          | 4,826,478        | 60.35          |

|                                                                   |                  |               |                  |               |
|-------------------------------------------------------------------|------------------|---------------|------------------|---------------|
| Interest payable on deposits                                      | 75,714           | 0.92          | 67,334           | 0.84          |
| Due to and placements from banks and other financial institutions | 1,813,493        | 21.92         | 1,461,511        | 18.27         |
| Debt securities issued                                            | 1,011,653        | 12.23         | 1,330,304        | 16.63         |
| Due to central bank                                               | 235,242          | 2.84          | 165,133          | 2.06          |
| Held-for-trading financial liabilities                            | 10,207           | 0.12          | 10,238           | 0.14          |
| Derivative financial liabilities                                  | 52,293           | 0.63          | 37,526           | 0.47          |
| Others                                                            | 91,131           | 1.10          | 99,352           | 1.24          |
| <b>Total liabilities</b>                                          | <b>8,274,363</b> | <b>100.00</b> | <b>7,997,876</b> | <b>100.00</b> |

Note: In accordance with the Interim Measures for the Administration of Gold Leasing Business (Y.B.F. [2022] No.88), issued by the General Office of the PBC in July 2022, from 2023, for the gold leasing business carried out by the Group with financial institutions, the lease-out side was adjusted from “precious metals” to “placements with banks and other financial institutions” for recognition, while the lease-in side was adjusted from “held-for-trading financial liabilities” to “placements from banks and other financial institutions” for recognition, with the comparative figures by the end of 2022 adjusted accordingly.

### 3.5.2.1 Composition of total deposits

As at the end of the reporting period, total deposits of the Group reached RMB4,984,630 million, representing an increase of RMB158,152 million or 3.28%, as compared with the end of the previous year.

In RMB millions

| Item             | End of the reporting period |                | End of last year |                |
|------------------|-----------------------------|----------------|------------------|----------------|
|                  | Balance                     | Percentage (%) | Balance          | Percentage (%) |
| Current deposits | 2,167,646                   | 43.48          | 2,070,163        | 42.89          |

|                           |           |        |           |        |
|---------------------------|-----------|--------|-----------|--------|
| Incl.: Corporate deposits | 1,813,631 | 36.38  | 1,656,442 | 34.32  |
| Retail deposits           | 354,015   | 7.10   | 413,721   | 8.57   |
| Time deposits             | 2,814,642 | 56.47  | 2,753,419 | 57.05  |
| Incl.: Corporate deposits | 1,765,364 | 35.42  | 1,836,412 | 38.05  |
| Retail deposits           | 1,049,278 | 21.05  | 917,007   | 19.00  |
| Other deposits            | 2,342     | 0.05   | 2,896     | 0.06   |
| Total                     | 4,984,630 | 100.00 | 4,826,478 | 100.00 |

### 3.5.3 Analysis of changes in shareholders' equity

As at the end of the reporting period, shareholders' equity of the Group was RMB732,884 million, up 3.69% from the end of last year. The equity attributable to the parent company's shareholders recorded RMB724,749 million, an increase of 3.85% over the end of last year; and the retained earnings totaled RMB208,333 million, up 2.52% over the end of last year, which was mainly credited to the net profit increase and profit distribution during the reporting period.

In RMB millions

| Item            | Share capital | Other equity instruments | Capital reserve | Surplus reserve | General risk reserve | Other comprehensive income | Retained earnings | Total equity attributable to the parent company's shareholders |
|-----------------|---------------|--------------------------|-----------------|-----------------|----------------------|----------------------------|-------------------|----------------------------------------------------------------|
| Opening balance | 29,352        | 112,691                  | 81,762          | 174,385         | 99,515               | -3,053                     | 203,220           | 697,872                                                        |
| Increase        | -             | -                        | -               | 14,544          | 3,786                | 5,160                      | 38,428            | 61,918                                                         |
| Decrease        | -             | -                        | -               | -               | 1,726                | -                          | 33,315            | 35,041                                                         |
| Closing balance | 29,352        | 112,691                  | 81,762          | 188,929         | 101,575              | 2,107                      | 208,333           | 724,749                                                        |

In RMB millions

| Item | End of the reporting period | End of last year | Increase/decrease over the end of the previous year (%) |
|------|-----------------------------|------------------|---------------------------------------------------------|
|------|-----------------------------|------------------|---------------------------------------------------------|

|                                                                |         |         |         |
|----------------------------------------------------------------|---------|---------|---------|
| Share capital                                                  | 29,352  | 29,352  | -       |
| Other equity instruments                                       | 112,691 | 112,691 | -       |
| Capital reserve                                                | 81,762  | 81,762  | -       |
| Other comprehensive income                                     | 2,107   | -3,053  | -169.01 |
| Surplus reserve                                                | 188,929 | 174,385 | 8.34    |
| General risk reserve                                           | 101,575 | 99,515  | 2.07    |
| Retained earnings                                              | 208,333 | 203,220 | 2.52    |
| Total equity attributable to the parent company's shareholders | 724,749 | 697,872 | 3.85    |
| Minority shareholders' equity                                  | 8,135   | 8,903   | -8.63   |
| Total equity                                                   | 732,884 | 706,775 | 3.69    |

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

In RMB millions

| Item                                                   | End of the reporting period | End of last year | Change (%) | Main reason for the change during the reporting period    |
|--------------------------------------------------------|-----------------------------|------------------|------------|-----------------------------------------------------------|
| Placements with banks and other financial institutions | 105,753                     | 168,169          | -37.12     | The placements with domestic banks decreased              |
| Precious metals                                        | 17,526                      | 3,948            | 343.92     | The proprietary and agency precious metals held increased |
| Derivative financial assets                            | 56,311                      | 42,829           | 31.48      | Change in the valuation of fair value                     |



|                                                    |         |         |        |                                                                                                       |
|----------------------------------------------------|---------|---------|--------|-------------------------------------------------------------------------------------------------------|
| Financial assets purchased under resale agreements | 44,719  | 111,411 | -59.86 | Bonds purchased under resale agreements decreased                                                     |
| Construction in progress                           | 1,982   | 5,250   | -62.25 | Buildings and structures were transferred to fixed assets when they were ready for their intended use |
| Due to central bank                                | 235,242 | 165,133 | 42.46  | Due to central banks increased                                                                        |
| Derivative financial liabilities                   | 52,293  | 37,526  | 39.35  | Change in the valuation of fair value                                                                 |
| Financial assets sold under repurchase agreements  | 519,784 | 350,168 | 48.44  | Bonds sold under repurchase agreements increased                                                      |
| Deferred income tax liabilities                    | 1,014   | 641     | 58.19  | Taxable temporary differences increased                                                               |
| Other comprehensive income                         | 2,107   | -3,053  | N/A    | The valuation of other creditor's rights investments changed                                          |

In RMB millions

| Item                                    | The current reporting period | Same period of last year | Change (%) | Main reason for the change during the reporting period                               |
|-----------------------------------------|------------------------------|--------------------------|------------|--------------------------------------------------------------------------------------|
| Profit or loss on investments           | 27,905                       | 19,877                   | 40.39      | Income from derivative financial instrument investments increased                    |
| Profit or loss on changes in fair value | 2,563                        | -3,854                   | N/A        | The fair value of held-for-trading financial instruments and precious metals changed |
| Exchange profit or loss                 | -3,536                       | 6,692                    | -152.84    | Exchange rate fluctuated and exchange gains decreased                                |

|                                                                                                         |          |          |        |                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------|----------|----------|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Impairment losses on other assets                                                                       | 109      | 47       | 131.91 | Impairment losses on repossessed assets increased                                                                                                                                                                                                                                                                                         |
| Other business costs                                                                                    | 2,409    | 1,684    | 43.05  | Business costs of subsidiaries increased                                                                                                                                                                                                                                                                                                  |
| Non-operating income                                                                                    | 101      | 76       | 32.89  | Other non-operating income increased                                                                                                                                                                                                                                                                                                      |
| Other comprehensive income after tax, net                                                               | 4,974    | -5,869   | N/A    | The valuation of other creditor's rights investments changed                                                                                                                                                                                                                                                                              |
| Net cash flows used in investing activities                                                             | -29,781  | -170,324 | N/A    | Cash received from recovering investments increased                                                                                                                                                                                                                                                                                       |
| Net cash flows used in financing activities                                                             | -370,694 | -46,702  | N/A    | Cash received from bonds and NCDs issued decreased                                                                                                                                                                                                                                                                                        |
| Net profit attributable to the parent company's shareholders deducting the non-recurring profit or loss | 33,882   | 50,810   | -33.32 | During the reporting period, loan interest rates persisted at a low level, with loan yields experiencing a more pronounced downward trend due to the repricing of existing loans. During the reporting period, the Bank proactively pursued measures to bolster asset quality and augment provisioning, resulting in elevated risk costs. |
| Basic earnings per share                                                                                | 1.07     | 1.56     | -31.41 |                                                                                                                                                                                                                                                                                                                                           |
| Diluted earnings per share                                                                              | 0.99     | 1.44     | -31.25 |                                                                                                                                                                                                                                                                                                                                           |
| Basic earnings per share after deducting non-recurring profit or loss                                   | 0.97     | 1.55     | -37.42 |                                                                                                                                                                                                                                                                                                                                           |

### 3.7 Analysis of Loan Quality

#### 3.7.1 Five-tier loan classification

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 amount and ratio both went down. Specifically, the balance of NPLs was RMB74,198 million, a decrease of RMB421 million over the end of last year; and the NPL ratio stood at 1.48%, down 0.04 percentage point over the end of last year. The outstanding special-mention loans totaled RMB117,119 million, an increase of RMB9,679 million compared with the prior year-end, accounting for 2.33% of total loans, up by 0.14 percentage point from the prior year-end.

| Five-tier risk classification | End of the reporting period |                | End of last year |                | In RMB millions                                         |
|-------------------------------|-----------------------------|----------------|------------------|----------------|---------------------------------------------------------|
|                               | Balance                     | Percentage (%) | Balance          | Percentage (%) | Increase/decrease over the end of the previous year (%) |
|                               |                             |                |                  |                |                                                         |
| Pass                          | 4,826,437                   | 96.19          | 4,718,603        | 96.29          | 2.29                                                    |
| Special mention               | 117,119                     | 2.33           | 107,440          | 2.19           | 9.01                                                    |
| Substandard                   | 24,640                      | 0.49           | 34,688           | 0.71           | -28.97                                                  |
| Doubtful                      | 22,353                      | 0.45           | 25,813           | 0.52           | -13.40                                                  |
| Loss                          | 27,205                      | 0.54           | 14,118           | 0.29           | 92.70                                                   |
| Total                         | 5,017,754                   | 100.00         | 4,900,662        | 100.00         | 2.39                                                    |
| Total NPLs                    | 74,198                      | 1.48           | 74,619           | 1.52           | -0.56                                                   |

| Category           | End of the reporting period |      | In RMB millions                                         |
|--------------------|-----------------------------|------|---------------------------------------------------------|
|                    | Percentage (%)              |      | Increase/decrease over the end of the previous year (%) |
| Restructured loans | 864                         | 0.02 | -31.05                                                  |
| Overdue loans      | 101,327                     | 2.02 | -6.10                                                   |

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 56.62%, an increase of 3.60 percentage points from the end of the previous year; the proportion of retail loans was 37.18%, a decrease of 1.43 percentage points as compared with the end of the previous year; and the proportion of discounted bills was 6.20%, a decrease of 2.17 percentage points as compared with the end of the previous year.

|  | End of the reporting period |  | In RMB millions |
|--|-----------------------------|--|-----------------|
|  | End of last year            |  |                 |

| Product type              | Loan balance | NPLs   | NPL ratio (%) | Loan balance | NPLs   | NPL ratio (%) |
|---------------------------|--------------|--------|---------------|--------------|--------|---------------|
| Corporate loans           | 2,840,999    | 47,348 | 1.67          | 2,598,058    | 49,746 | 1.91          |
| General corporate loans   | 2,653,881    | 47,348 | 1.78          | 2,392,505    | 49,746 | 2.08          |
| Trade finance             | 187,118      | -      | 0.00          | 205,553      | -      | 0.00          |
| Discounted bills          | 310,933      | 411    | 0.13          | 410,204      | 449    | 0.11          |
| Retail loans              | 1,865,822    | 26,439 | 1.42          | 1,892,400    | 24,424 | 1.29          |
| Personal housing loans    | 838,152      | 5,171  | 0.62          | 872,127      | 4,566  | 0.52          |
| Personal business loans   | 467,994      | 7,065  | 1.51          | 445,633      | 6,726  | 1.51          |
| Credit card and overdraft | 385,617      | 9,357  | 2.43          | 433,693      | 7,888  | 1.82          |
| Consumer loans and others | 174,059      | 4,846  | 2.78          | 140,947      | 5,244  | 3.72          |
| Total                     | 5,017,754    | 74,198 | 1.48          | 4,900,662    | 74,619 | 1.52          |

### 3.7.3 Loan structure and loan quality by industries

In RMB millions

|                             | End of the reporting period |                               |               | End of last year |                               |               |
|-----------------------------|-----------------------------|-------------------------------|---------------|------------------|-------------------------------|---------------|
|                             | Loan balance                | Percentage in total loans (%) | NPL ratio (%) | Loan balance     | Percentage in total loans (%) | NPL ratio (%) |
| <b>Corporate loans</b>      | 2,840,999                   | 56.62                         | 1.67          | 2,598,058        | 53.02                         | 1.91          |
| Manufacturing               | 572,695                     | 11.42                         | 1.39          | 472,245          | 9.64                          | 1.72          |
| Lease and commerce services | 548,048                     | 10.92                         | 0.98          | 469,945          | 9.59                          | 1.26          |
| Real estate                 | 345,744                     | 6.89                          | 4.11          | 322,036          | 6.57                          | 3.06          |

|                                                              |                  |               |             |                  |               |             |
|--------------------------------------------------------------|------------------|---------------|-------------|------------------|---------------|-------------|
| Water, environment and public utilities management           | 196,775          | 3.92          | 0.86        | 191,308          | 3.90          | 0.52        |
| Financial services                                           | 193,704          | 3.86          | 2.67        | 235,797          | 4.81          | 1.54        |
| Transportation, warehouse and postal services                | 193,132          | 3.85          | 0.39        | 190,118          | 3.88          | 1.84        |
| Wholesale and retail                                         | 189,398          | 3.77          | 2.62        | 159,972          | 3.26          | 3.93        |
| Construction                                                 | 176,645          | 3.52          | 1.61        | 157,220          | 3.21          | 2.62        |
| Production and supply of electricity, heating, gas and water | 165,020          | 3.29          | 0.62        | 161,222          | 3.29          | 0.92        |
| Mining                                                       | 78,825           | 1.57          | 0.59        | 70,194           | 1.43          | 1.19        |
| Information transmission, software and IT services           | 75,275           | 1.50          | 1.21        | 66,636           | 1.36          | 2.63        |
| Scientific research and technology services                  | 36,334           | 0.72          | 0.66        | 31,425           | 0.64          | 1.31        |
| Culture, sports and entertainment                            | 20,169           | 0.40          | 1.40        | 19,094           | 0.39          | 1.06        |
| Education                                                    | 16,443           | 0.33          | 3.79        | 14,937           | 0.30          | 3.86        |
| Healthcare and social welfare                                | 13,420           | 0.27          | 1.07        | 12,665           | 0.26          | 4.22        |
| Agriculture, forestry, farming and fishery                   | 12,721           | 0.25          | 3.82        | 14,202           | 0.29          | 8.23        |
| Lodging and catering services                                | 5,043            | 0.10          | 2.58        | 6,652            | 0.14          | 5.44        |
| Resident services, repairing and other services              | 1,288            | 0.03          | 3.96        | 1,850            | 0.04          | 1.35        |
| Others                                                       | 320              | 0.01          | 0.00        | 540              | 0.02          | 0.00        |
| <b>Discounted bills</b>                                      | <b>310,933</b>   | <b>6.20</b>   | <b>0.13</b> | <b>410,204</b>   | <b>8.37</b>   | <b>0.11</b> |
| <b>Retail loans</b>                                          | <b>1,865,822</b> | <b>37.18</b>  | <b>1.42</b> | <b>1,892,400</b> | <b>38.61</b>  | <b>1.29</b> |
| <b>Total</b>                                                 | <b>5,017,754</b> | <b>100.00</b> | <b>1.48</b> | <b>4,900,662</b> | <b>100.00</b> | <b>1.52</b> |

### 3.7.4 Loan structure by geography

In RMB millions

| Region                                           | End of the reporting period |                | End of last year |                |
|--------------------------------------------------|-----------------------------|----------------|------------------|----------------|
|                                                  | Book balance                | Percentage (%) | Book balance     | Percentage (%) |
| Head Office                                      | 502,801                     | 10.02          | 574,147          | 11.72          |
| Yangtze River Delta Region                       | 1,664,465                   | 33.17          | 1,557,005        | 31.77          |
| Pearl River Delta and West Side of Taiwan Strait | 663,101                     | 13.22          | 618,785          | 12.63          |
| Bohai Rim                                        | 633,219                     | 12.62          | 639,591          | 13.05          |
| Central China                                    | 523,331                     | 10.43          | 527,138          | 10.76          |
| Western China                                    | 636,860                     | 12.69          | 592,234          | 12.08          |
| North-eastern China                              | 187,382                     | 3.73           | 196,820          | 4.02           |
| Overseas institutions and subsidiaries           | 206,595                     | 4.12           | 194,942          | 3.97           |
| Total                                            | 5,017,754                   | 100.00         | 4,900,662        | 100.00         |

### 3.7.5 Loan structure by collateral types

In RMB millions

| Item                       | End of the reporting period |                | End of last year |                |
|----------------------------|-----------------------------|----------------|------------------|----------------|
|                            | Book balance                | Percentage (%) | Book balance     | Percentage (%) |
| Unsecured loans            | 1,967,646                   | 39.21          | 2,057,153        | 41.98          |
| Guaranteed loans           | 1,048,876                   | 20.90          | 941,698          | 19.21          |
| Loans secured by mortgages | 1,770,621                   | 35.29          | 1,661,258        | 33.90          |
| Pledged loans              | 230,611                     | 4.60           | 240,553          | 4.91           |
| Total                      | 5,017,754                   | 100.00         | 4,900,662        | 100.00         |

### 3.7.6 Loan migration

In %

|                                     | 2023  | 2022  | 2021  |
|-------------------------------------|-------|-------|-------|
| Pass loan migration rate            | 1.88  | 1.80  | 1.84  |
| Special-mention loan migration rate | 32.01 | 33.11 | 43.57 |
| Substandard loan migration rate     | 71.69 | 80.48 | 81.86 |
| Doubtful loan migration rate        | 62.19 | 51.19 | 81.93 |

Note: In accordance with the provisions of the Notice on Revising the Definitions and Calculation Formulas for Basic Indicators Used by Off-site Supervision in the Banking Sector, a document issued by the former CBIRC in 2022, these data pertain to the parent company and the data from the previous periods have been adjusted synchronously.

### 3.7.7 Loans of top ten customers

In RMB millions

| Customer name | 31 December 2023 | Percentage (%) |
|---------------|------------------|----------------|
| Customer A    | 23,952           | 0.48           |
| Customer B    | 16,672           | 0.33           |
| Customer C    | 15,000           | 0.30           |
| Customer D    | 11,846           | 0.24           |
| Customer E    | 9,599            | 0.19           |
| Customer F    | 9,377            | 0.19           |
| Customer G    | 8,667            | 0.17           |
| Customer H    | 7,225            | 0.14           |
| Customer I    | 7,213            | 0.14           |
| Customer J    | 6,187            | 0.12           |
| Total         | 115,738          | 2.30           |

### 3.7.8 Management of LGFV loans

During the reporting period, the Bank thoroughly implemented the decisions and plans of the CPC Central Committee and the State Council, strictly complied with the relevant requirements of the Ministry of Finance and the NFRA, and continuously strengthened the management of local government-related financing business, exercising rigid control over hidden debts of local governments. As at the end of 2023, the Bank steadily reduced its financing amount related to hidden debts of local governments and brought relevant risks under control in compliance with the regulatory requirements.

First, the Bank stepped up efforts to forestall and defuse the risks arising from local debts. It worked to provide categorized guidance on and dispose of existing businesses properly, supported the extension, renewal and restructuring of the maturing local debts according to pertinent regulatory policies, and prevented the risks arising from the broken capital chains of local debts in stock. It got actively involved in swapping hidden government debts in stock for local debts in the second half of the year, continuously tracked relevant progress, and steadily resolved the risks associated with hidden debts in stock.

Second, 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. It enhanced ex-post monitoring and supervision, with a commitment to rigorously addressing any identified violations.

Third, the routine monitoring mechanism was improved. In addition to enhanced daily monitoring and early warning, the Bank institutionalized risk screening as part of its prudent research and planning process. This approach enabled the Bank to identify, detect, issue warnings against, and mitigate risks and hazards as early as possible.

### **3.7.9 Year-end NPLs and corresponding measures taken**

First, by continuously reinforcing post-lending management measures for credit business, the Bank managed to enhance the risk and compliance awareness among business and management departments. Fully utilizing digital and intelligent means for risk prevention and control, it monitored and responded to updates in information on AML, corporate credit, risk forewarning, and changes in overdue loan accounts/accounts in arrears. As per the annual credit supply policy, the Bank increased the supply of credit in critical industries, key regions, and promising sectors, thereby expanding its high-quality credit volume.

Second, the Bank stepped up efforts in risk resolution and NPA disposal. In line with regulatory requirements, it enhanced the liquidation and resolution for NPAs in key business areas and projects to achieve greater efficiency and effectiveness. This involved ramping up efforts in cash recovery, continuously intensifying the management of NPA transfer, advancing debt-to-equity swaps in an orderly way, and establishing a diverse dispute resolution mechanism, among other means.

Third, the Bank bolstered its management practices to enhance quality and efficiency, while fostering innovation and transformation. It enhanced its capacity for differentiated and refined management of NPAs, devised innovative mechanisms for problem-solving, and established a diversified financial dispute resolution mechanism. Additionally, it introduced technical tools and explored the use of AI technology to upgrade the asset preservation management system, continuously advancing the ongoing digitalization process. Moreover,



the Bank also reinforced internal and external inspections to solidify a long-term mechanism for standardized management of NPA disposal.

Fourth, the Bank took a firm grip on new NPLs. It established and improved a long-term mechanism to prevent and resolve material risks, increased the monitoring of risks in key areas and major groups, proactively carried out special verification and inspection activities, and detected early signs of risk in a timely manner. It also improved the mechanism to oversee customers with new overdue loans and arrears in large amounts. Besides, the Bank strengthened 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.

### 3.7.10 Credit extension to group customers

The Bank upheld the principles of “unified credit extension, moderate credit limit and differentiated administration” in granting credit line to group customers. 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 policy system for group customers, optimizing the management procedure, and stepping up early warning and post-lending management.

### 3.7.11 Provision and write-off of loan impairment

In RMB millions

| The Group                                                    | The reporting period | Same period of last year |
|--------------------------------------------------------------|----------------------|--------------------------|
| Opening balance                                              | 118,674              | 110,606                  |
| Provision in the year                                        | 55,713               | 65,143                   |
| Write-off and disposal in the year                           | -56,783              | -65,152                  |
| Recovery of loans and advances written off in previous years | 10,980               | 8,625                    |
| Other changes                                                | 155                  | -548                     |
| Closing balance                                              | 128,739              | 118,674                  |

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

As calculated based on relevant provisions in the Rules on Capital Management of Commercial Banks (Trial):

| Item                                                             | In RMB millions             |           |                  |           |
|------------------------------------------------------------------|-----------------------------|-----------|------------------|-----------|
|                                                                  | End of the reporting period |           | End of last year |           |
|                                                                  | The Group                   | The Bank  | The Group        | The Bank  |
| Total capital                                                    | 864,155                     | 832,368   | 865,671          | 838,728   |
| Incl.: Core tier-one capital                                     | 617,628                     | 592,162   | 590,209          | 569,055   |
| Additional tier-one capital                                      | 110,557                     | 109,910   | 110,503          | 109,910   |
| Tier-two capital                                                 | 135,970                     | 130,296   | 164,959          | 159,763   |
| Capital deduction items                                          | 19,703                      | 45,795    | 21,910           | 45,132    |
| Incl.: Core tier-one capital deduction items                     | 19,703                      | 45,795    | 21,910           | 45,132    |
| Additional tier-one capital deduction items                      | -                           | -         | -                | -         |
| Tier-two capital deduction items                                 | -                           | -         | -                | -         |
| Net capital                                                      | 844,452                     | 786,573   | 843,761          | 793,596   |
| 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 (%)                               | 0.50                        | 0.50      | -                | -         |
| Risk-weighted assets                                             | 6,667,213                   | 6,421,705 | 6,182,036        | 5,963,199 |

|                                          |           |           |           |           |
|------------------------------------------|-----------|-----------|-----------|-----------|
| Incl.: Credit risk-weighted assets       | 6,256,306 | 6,040,408 | 5,772,353 | 5,581,774 |
| Market risk-weighted assets              | 65,166    | 57,832    | 48,595    | 42,154    |
| Operational risk-weighted assets         | 345,741   | 323,465   | 361,088   | 339,271   |
| Core tier-one capital adequacy ratio (%) | 8.97      | 8.51      | 9.19      | 8.79      |
| Tier-one capital adequacy ratio (%)      | 10.63     | 10.22     | 10.98     | 10.63     |
| Capital adequacy ratio (%)               | 12.67     | 12.25     | 13.65     | 13.31     |

Notes: (1) The above are capital adequacy data and information of the Bank and the Group as measured based on the Rules on Capital Management of Commercial Banks (Trial) as promulgated by the former 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 former 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](http://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. 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.

### 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). As at the end of the reporting period, the Bank's leverage ratio was 6.27%, down 0.20 percentage point over the end of last year; and that of the Group was 6.63%, down 0.17 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](http://www.spdb.com.cn)).

In RMB millions

| Item                                                        | End of the reporting period |            | End of last year |           |
|-------------------------------------------------------------|-----------------------------|------------|------------------|-----------|
|                                                             | The Group                   | The Bank   | The Group        | The Bank  |
| Net tier-one capital                                        | 708,482                     | 656,277    | 678,802          | 633,833   |
| Balance of on-and-off-balance sheet assets after adjustment | 10,680,635                  | 10,473,733 | 9,988,010        | 9,803,647 |
| Leverage ratio (%)                                          | 6.63                        | 6.27       | 6.80             | 6.47      |

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. 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

In RMB millions

| The Group                    | End of the reporting period |
|------------------------------|-----------------------------|
| Quality current assets       | 814,510                     |
| Net cash outflow             | 607,799                     |
| Liquidity coverage ratio (%) | 134.01                      |

### 3.8.4 Net stable funding ratio

In RMB millions

| The Group                    | 31 December 2023 | 30 September 2023 | 30 June 2023 | 31 March 2023 |
|------------------------------|------------------|-------------------|--------------|---------------|
| Net stable funding ratio (%) | 104.33           | 103.14            | 104.94       | 102.87        |
| Stable funds available       | 4,831,282        | 4,758,270         | 4,869,298    | 4,806,054     |
| Stable funds needed          | 4,630,785        | 4,613,426         | 4,640,057    | 4,671,818     |

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

| Item (%)                                                          | Regulatory standard | End of the reporting period | End of last year | At the end of 2021 |
|-------------------------------------------------------------------|---------------------|-----------------------------|------------------|--------------------|
| CAR                                                               | ≥11                 | 12.25                       | 13.31            | 13.72              |
| Tier-one CAR                                                      | ≥9                  | 10.22                       | 10.63            | 11.00              |
| Core tier-one CAR                                                 | ≥8                  | 8.51                        | 8.79             | 9.05               |
| Asset liquidity ratio – RMB                                       | ≥25                 | 50.62                       | 50.67            | 49.94              |
| Asset liquidity ratio – RMB and foreign currencies combined       | ≥25                 | 50.91                       | 50.85            | 49.45              |
| Proportion of loans to the single biggest customer to net capital | ≤10                 | 3.05                        | 2.54             | 1.69               |
| Proportion of loans to the top ten customers to net capital       | ≤50                 | 14.71                       | 12.76            | 11.47              |
| Allowance to NPLs                                                 | ≥130                | 170.19                      | 155.28           | 140.66             |
| Allowance to total loans ratio                                    | ≥1.8                | 2.49                        | 2.33             | 2.23               |

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), 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

As approved, 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 banking regulators of the State Council.

### **3.9.2 Development of the banking industry**

As at the end of the reporting period, financial institutions across the Chinese banking industry posted an asset balance of RMB417.3 trillion, up 9.9% year on year. China's monetary policy has remained sound and precise, with liquidity reasonably abundant on the whole. The financial market has operated stably, and the credit structure has continued to improve. Moreover, financial policies in support of the real economy have been reinforced. Throughout 2023, the PBC announced successive reserve ratio requirement (RRR) cuts in March and September, each by 0.25 percentage point. These moves aimed to release long-term liquidity and bolster the stability and sustainability of the growth in credit aggregates, effectively serving the real economy. Meanwhile, the central bank also took the initiative to lower quoted deposit interest rates and internal pricing authorization three times in March, June, and September, effectively stabilizing banks' liability costs. As at the end of 2023, the M2 money supply, aggregate financing in stock, and RMB loans of all kinds registered a year-on-year increase of 9.7%, 9.5%, and 10.6%, respectively. Throughout 2023, aggregate financing rose by RMB35.59 trillion, which surpassed the increase in the previous year by RMB3.41 trillion. RMB loans expanded by RMB22.75 trillion, which exceeded the rise in the previous year by RMB1.31 trillion. Closely aligned with major national strategies, the banking industry prioritized serving the real economy, proactively addressing financing needs, and innovating credit service models. Focused on key areas such as micro and small enterprises, green development, and scientific and technological innovation, it continuously optimized the structure of credit supply, contributing to the formation of a new development pattern with financial strengths. While implementing the rural revitalization strategy with emphasis on a number of key areas such as food security, seed industry revitalization, businesses in the countryside, rural infrastructure and transportation hub system, and building of beautiful villages, it ensured people's well-being and stimulated the vitality of county economy with its innovative services. Additionally, embracing financial technology, it focused on achieving data-driven, intelligent, and open operations, and made strides in business reshaping, development of leading technology, and cutting-edge measures for risk control, among other dimensions. Moreover, it played a significant role in higher-standard opening-up and the formation of a new development pattern through tangible financial practices. Regulators issued a number of policies on key areas, including real estate and hidden local debts, which further prompted banks to strengthen their risk prevention and control efforts across their operations and various business links.

### **3.9.3 Performance of main business lines**

#### **3.9.3.1 Corporate banking**

During the reporting period, adhering to the customer-oriented approach, the Bank deepened 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 continued to operate a digital ecosystem where financial innovation was highlighted. During the reporting period, the Bank's corporate banking business segment reaped a net income of RMB57,198 million. Besides, the Bank continued to push forward the multi-level, categorized customer management, with the customer base further consolidated. As at the end of the reporting period, the number of corporate customers reached 2,238,400, an increase of 102,100 over the end of last year.

### **Corporate deposits and loans**

The Bank further optimized the credit customer structure by vigorously supporting upgraded industries, traditional competitive industries, strategic emerging industries, modern services and green industries but strictly curbing financing to industries with heavy pollution, high energy consumption and overcapacity. As at the end of the reporting period, the Bank's total corporate deposits denominated in RMB and foreign currencies both onshore and offshore posted RMB3,569,896 million, representing an increase of RMB86,736 million or 2.49% over the end of the previous year; and its corporate loans (excluding discounted bills) denominated in RMB and foreign currencies totaled RMB2,741,493 million, representing an increase of RMB237,460 million or 9.48% from the end of last year.

### **Investment banking**

During the reporting period, the Bank underwrote 1,689 bonds worth RMB626.4 billion as a lead underwriter, of which debt financing instruments amounted to RMB449.6 billion. The asset-backed notes (ABN) underwritten by the Bank totaled RMB19,693 million. The M&A finance business continued to develop rapidly with a balance of domestic and overseas M&A financing standing at RMB189,453 million as at the end of the reporting period and the new M&A loans amounting to RMB49,387 million during the reporting period.

### **Transaction banking**

During the reporting period, the Bank's active payment and settlement customers exceeded 425,000, and the volume of cross-border RMB collection and payment business went beyond RMB1,100 billion. The combined balance of corporate wealth management products was RMB168.1 billion, up RMB35.7 billion or 27% compared to the end of the previous year. Of it, the combined balance of third-party products sold by proxy stood at RMB9.3 billion, an increase of 33% from the end of last year.

### **International business vehicles**

During the reporting period, the Bank gripped market opportunities to develop international business vehicles (including offshore, FTZ, and overseas branches), with an emphasis placed on expanding core customers and key areas, and accelerating service innovation and optimization. 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 RMB359,066 million and generated a cumulative operating income of RMB4,022 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 from strategic customers of the Head Office stood at RMB864.6 billion; and the outstanding corporate loans denominated in RMB (including commercial papers) were RMB702.6 billion. The outstanding corporate deposits denominated in RMB from strategic customers of branches amounted to RMB558.3 billion; and the outstanding corporate loans denominated in RMB to strategic customers of branches stood at RMB719.4 billion.

### **3.9.3.2 Retail banking**

During the reporting period, the Bank continued to enhance its retail banking business capabilities, especially in terms of resource aggregation, specialized investment and research, diversified service, and risk prevention. It standardized workflows within its wealth management team, providing customers with market-wide, omni-channel, and full-process asset allocation advice and wealth management services. Additionally, the Bank improved its comprehensive financial ecosystem to better meet customers’ advanced wealth management needs. Moreover, it made every effort to develop “smart retail banking”, utilizing technology to provide customers with easily accessible, interactive, highly efficient, and accurate financial services. As at the end of the reporting period, the retail deposit balance reached RMB1.38 trillion and the retail loan balance stood at RMB1.85 trillion. The Bank produced a net operating income of RMB63,594 million in retail banking business during the reporting period.

#### **Personal customers and deposits**

During the reporting period, spearheading the principles of “stabilizing deposit scale, acquiring new customers, expanding settlements, and lowering costs”, the Bank pioneered new approaches to get deeply involved in settlement deposit scenarios, sort out key scenarios such as issuance by proxy, funds of maturing wealth management products, and tripartite depository, and drive deposit growth through asset flow management. Aimed at meeting deposit allocation needs of the general public, these initiatives enabled the Bank to leverage its advantages in low-cost deposits, thus maintaining a leading position across the industry in terms of retail deposits. As at the end of the reporting period, the number of personal customers (including credit card holders) exceeded 157 million, the balance of AUM from personal customers (including market value) reached RMB3.68 trillion, and the balance of retail deposits totaled RMB1.38 trillion, up RMB71,063 million compared to the end of the previous year.

#### **Wealth management business**

During the reporting period, the Bank advanced its full-scale customer management. Focused on “value creation, professional services, channel coordination, and digital empowerment”, it enhanced market research capabilities and building of core teams, to offer customers all-round one-stop wealth management services. In the meantime, it increased cooperation with leading insurance companies to enhance market competitiveness, optimized the structure of



fund products to maintain a leading position in sales volume, implemented low-volatility wealth management strategy to build a financial supermarket, and integrated the Group's resources to establish a distinctive brand of private banking. The Retail Digitalization 3.0 was upgraded to foster innovation in retail banking. The Mobile Banking app adopted a new page layout and interactive design for a refreshed user experience. The Fortune column strengthened cooperation with the wealth management ecosystem. The digital asset management module upgraded its conversational product recommendation strategy, offering comprehensive services that could integrate market dynamics, asset allocation concepts, and financial literacy. As at the end of the reporting period, the balance of AUM from personal customers (including market value) reached RMB3.68 trillion, and the wealth management income totaled RMB4.24 billion during the reporting period.

### **Private banking**

During the reporting period, the Bank's private banking business segment prioritized customer needs by integrating corporate and private, cross-border, and group-wide resources. It established the "SPDB Enterprise Star" service platform, upgraded the private banking customer service system, and enhanced the influence of the private bank brand through distinctive services. As at the end of the reporting period, the Bank had over 43,000 private banking customers (monthly average daily financial assets of RMB6 million or above) and managed their financial assets worth over RMB630 billion.

### **Retail credit business**

During the reporting period, the Bank persisted in enhancing service quality and efficiency through innovation, so as to continuously promote the high-quality development of its retail loan business. As at the end of the reporting period, the balance of retail loans (excluding credit cards) was RMB1,465,532 million, of which the balance of housing loans was RMB832,371 million. Committed to meeting the reasonable needs of customers, the personal housing mortgage loan business proactively expanded its cooperation with channels such as key real estate enterprises and top intermediaries. At the same time, it promoted innovative products such as talent apartments, transfer of home ownership with mortgage, and mortgages on property rights trading platforms, actively providing high-quality services for first-time homebuyers and home upgraders. The consumer loan business launched the "SPDB Flash Loan" product, strengthened digital marketing efforts, and established a reputable brand in the consumer loan market. In the auto finance business, the "iCar Loan" brand was established alongside a standardized business platform for auto loans and customer acquisition products, flexibly adapting to various types of automobile consumption scenarios, thus delivering an enhanced customer service experience. The inclusive finance business remained focused on strategic customers, deepened collaboration between personal and corporate sectors, and made strides in forming a standardized credit product lineup, so as to effectively address many challenges such as the flow of funds from real to virtual economy and the difficult, unaffordable, and slow financing faced by micro and small enterprises.

### **Credit card**

During the reporting period, the Bank's credit card business focused on what people actually needed to enhance their well-being while making meticulous business arrangements. It launched co-branded cards and themed cards with 238 partners, and carried out consumption promotion activities centering on China's local brands to register 10 million MAUs for online

payment services. Leveraging the position of the Bank as a Shanghai-based financial institution, it upgraded the “66”-themed marketing system. For the fourth consecutive year, it joined hands with the “May 5 Shopping Festival” and “Shanghai Nightlife Festival”, along with over 500 merchants in 20 popular shopping malls in the city and over 450 shopping districts nationwide, providing efficient and convenient payment experiences and practical inclusive finance services for more than 35 million customers, who contributed to a cumulative consumption amount of more than RMB2 trillion. With emphasis on green consumption scenarios and green and low-carbon lifestyles, the Green and Low-Carbon Program (version 3.0) became operational. As at the end of the reporting period, the number of customers who joined the Green and Low-Carbon Zone exceeded 370,000, and the number of Green and Low-Carbon Tasks completed exceeded 9.7 million, resulting in the distribution of over 200 million green bonus points. As at the end of the reporting period, the Bank issued a total of 103,043,800 credit cards, and had 48,376,100 credit cards in circulation, a decrease of 5.76% over the end of last year; the balance of credit card overdrafts fell by 11.09% year on year to RMB385,617 million; and the “Joyful SPD Credit Card” app had 27.16 million MAUs, up 8.29% year on year. During the reporting period, the Bank’s credit card transactions amounted to RMB2,269,306 million, a year-on-year decrease of 6.13%; and the business generated a total income of RMB40,659 million, a year-on-year drop of 7.03%.

### **3.9.3.3 Financial market and financial institution**

During the reporting period, the Bank remained steadfast in providing financial services to the real economy. Led by professionalism and driven by innovation, it strengthened its operational standards and investment and trading capabilities, aiming to consistently enhance its core competitiveness and market influence. 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 Bank’s financial market business realized a net income of RMB37.98 billion, a year-on-year increase of 3.77%.

#### **Financial institution business**

During the reporting period, the Bank pursued a customer-centric approach and tapped deep into various industries, to solidify its customer base with enhanced services available both online and offline. As at the end of the reporting period, it cooperated with approximately 3,300 financial institutions and obtained a total of 79 qualifications in the factor market. The “Bund 12 Interbank Cooperation Salon” was continuously promoted to enhance the influence of the interbank cooperation brand. Furthermore, the Bank teamed up with top insurance groups and securities companies to improve service quality by jointly developing products, deeply engaging in key regions, identifying potential customer groups, and creating service models. These efforts aimed to empower the growth of enterprises as well as upstream and downstream industries.

#### **Investment transaction**

Regarding “proprietary investment trading” and “agency business” as two drivers, the Bank enhanced its financial market business model characterized by differentiated, specialized, and distinctive operations. During the reporting period, its highlighted strategy research and execution, actively increased the allocation of acceptable assets, and effectively grasped the timing of transactions, steadily improving the level of spread income and portfolio income. At the same time, the Bank intensified the refined active management of liabilities, with the costs

of interbank liabilities on the steady decline, the scale of interbank current deposits rising stably, and the volume of bills sold under repurchase agreements ranking first across the market. While fully leveraging its advantages of proximity to the market and integrated investment and research, it further expanded its “SPDB Risk Hedging” business, released the Blue Book on Market Outlook of SPDB Risk Hedging for the sixth consecutive year, and accelerated its in-depth transformation from “financing” to “intelligence”. As at the end of the reporting period, the “SPDB Risk Hedging” business cumulatively served nearly 24,000 corporate customers of various types.

### **Asset custody**

During the reporting period, the Bank prioritized key custody businesses in the valuation category, bucked market trends to achieve growth in the number of initially offered mutual funds, and introduced nearly 100 new products in a forward-looking way. Meanwhile, it experienced significant growth in insurance under custody, landed a number of private equity funds under custody, and became the custodian bank for some key scientific and technological innovation funds. As at the end of the reporting period, the asset custody business had a scale of RMB16.66 trillion. During the reporting period, the business generated a total of RMB2,272 million of custody fee income.

### **Asset management**

During the reporting period, SPDB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, actively promoted the high-quality development of wealth management business, made every effort to build itself as a “wealth management brand by your side”, persistently catered to the requirements of the real economy, and addressed the needs of customers for preserving and increasing the value of their investments. Regarding product offerings, it built a stable product lineup to ensure a consistent supply. On the asset front, it actively facilitated the implementation of national strategies, increased support for inclusive finance, green finance, and industry customers, raised the proportion of stable assets, and diversified its investment strategies. Through these concrete efforts, it strove to attain performance benchmarks effectively. As at the end of the reporting period, wealth management products of SPDB Wealth Management totaled RMB1,018,404 million, up RMB179,101 million or 21.34% compared with the end of the previous year.

#### **3.9.3.4 Channels 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 51 traditional sub-branches and three community banks, and canceled or merged 46 community banks. As at the end of the reporting period, it had established 42 tier-one branches and 1,742 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) | Number of organs under its jurisdiction | Total assets (in RMB millions) |
|----------------------------|---------------------------------|-----------------------------------------------------------------------------------|------------------------------|-----------------------------------------|--------------------------------|
| Head Office                | Head Office                     | No. 12 Zhongshan Dongyi Road, Shanghai                                            | 9,020                        | 1,741                                   | 4,495,930                      |
|                            | Credit Card Center              | SPD Bank Building, No. 588 Pudong South Road, Pudong New Area, Shanghai           | 10,714                       | -                                       | 366,685                        |
|                            | Sub-total                       |                                                                                   | 19,734                       | 1,741                                   | 4,862,615                      |
| Yangtze River Delta Region | Shanghai Branch                 | No. 588 Pudong South Road, Pudong New Area, Shanghai                              | 4,555                        | 181                                     | 1,526,592                      |
|                            | Hangzhou Branch                 | No. 129 Yan'an Road, Hangzhou                                                     | 2,629                        | 97                                      | 349,982                        |
|                            | Ningbo Branch                   | No. 21 Jiangxia Street, Ningbo                                                    | 1,237                        | 42                                      | 148,676                        |
|                            | Nanjing Branch                  | No. 303 Zhongshan East Road, Xuanwu District, Nanjing                             | 2,875                        | 109                                     | 318,702                        |
|                            | Suzhou Branch                   | No. 718 Zhongyuan Road, Industrial Park, Suzhou                                   | 967                          | 32                                      | 125,594                        |
|                            | Hefei Branch                    | No. 2608 Hangzhou Road, Binhu New Area, Hefei                                     | 1,245                        | 46                                      | 114,038                        |
|                            | Shanghai Free Trade Zone Branch | Floor 22, SPD Bank Building, No. 588 Pudong South Road, Pudong New Area, Shanghai | 32                           | -                                       | 64,623                         |
|                            | Sub-total                       |                                                                                   | 13,540                       | 507                                     | 2,648,207                      |
| Pearl River Delta          | Guangzhou Branch                | No. 12 Zhujiang West Road, Tianhe District, Guangzhou                             | 2,364                        | 94                                      | 272,622                        |

|                                            |                            |                                                                                                                                                                                                                                                                        |       |     |         |
|--------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-----|---------|
| and<br>West<br>Side of<br>Taiwan<br>Strait | Shenzhen<br>Branch         | No. 88 Pucheng Road,<br>Tianxin Community,<br>Sungang Sub-district,<br>Luohu District, Shenzhen                                                                                                                                                                        | 1,987 | 62  | 484,860 |
|                                            | Fuzhou<br>Branch           | Room 16-24<br>(commercial) 1/F, Room<br>01-02 (commercial) 4/F,<br>Room 01 (commercial &<br>office) 5-7/F, Room 01<br>(commercial & office)<br>18-21/F, 1# Building,<br>Fumin Times Square,<br>No.66 Aofeng Road,<br>Aofeng Sub-district,<br>Taijiang District, Fuzhou | 733   | 51  | 65,466  |
|                                            | Xiamen<br>Branch           | No. 666-1 Xiahe Road,<br>Xiamen                                                                                                                                                                                                                                        | 293   | 15  | 24,167  |
|                                            | Sub-total                  |                                                                                                                                                                                                                                                                        | 5,377 | 222 | 847,115 |
| Bohai<br>Rim                               | Beijing<br>Branch          | No. 18 Taipingqiao<br>Avenue, Xicheng District,<br>Beijing                                                                                                                                                                                                             | 2,222 | 96  | 622,659 |
|                                            | Tianjin<br>Branch          | Block D, Bohai Rim<br>Development Center,<br>No. 9+ Binshui Avenue,<br>Hexi District, Tianjin                                                                                                                                                                          | 1,262 | 38  | 181,264 |
|                                            | Ji'nan<br>Branch           | No. 139 Heihuquan West<br>Road, Ji'nan                                                                                                                                                                                                                                 | 1,258 | 60  | 90,143  |
|                                            | Qingdao<br>Branch          | No. 188 Haier Road,<br>Laoshan District,<br>Qingdao                                                                                                                                                                                                                    | 959   | 35  | 99,426  |
|                                            | Shijiazhuang<br>Branch     | 101 Fangbei Shopping<br>Mall, No. 133 Yuhua East<br>Road, Chang'an District,<br>Shijiazhuang                                                                                                                                                                           | 822   | 33  | 65,804  |
|                                            | Hebei<br>Xiongan<br>Branch | Northwest corner of the<br>intersection of<br>Baiyangdian Street and<br>Rongmei Road,                                                                                                                                                                                  | 26    | -   | 3,071   |

|                  |                     |                                                                            |       |     |           |
|------------------|---------------------|----------------------------------------------------------------------------|-------|-----|-----------|
|                  |                     | Rongcheng County,<br>Baoding City                                          |       |     |           |
|                  | Sub-total           |                                                                            | 6,549 | 262 | 1,062,367 |
| Central<br>China | Zhengzhou<br>Branch | No. 299 Jinshui Road,<br>Zhengzhou                                         | 1,846 | 97  | 217,014   |
|                  | Wuhan<br>Branch     | No. 218 Xinhua Road,<br>Jiangnan District, Wuhan                           | 1,049 | 55  | 92,241    |
|                  | Taiyuan<br>Branch   | No. 5 Qingnian Road,<br>Taiyuan                                            | 1,005 | 52  | 112,299   |
|                  | Changsha<br>Branch  | No. 102 Chazishan East<br>Road, Binjiang New<br>Town, Changsha             | 947   | 52  | 78,998    |
|                  | Nanchang<br>Branch  | No. 1402 Hongguzhong<br>Avenue, Nanchang                                   | 707   | 36  | 60,056    |
|                  | Haikou<br>Branch    | No. 28 Yusha Road,<br>Haikou                                               | 194   | 6   | 13,536    |
|                  | Sub-total           |                                                                            | 5,748 | 298 | 574,144   |
| Western<br>China | Chongqing<br>Branch | No. 78 Star Avenue,<br>High-tech Park, Northern<br>New District, Chongqing | 776   | 29  | 112,445   |
|                  | Kunming<br>Branch   | No. 156 Dongfeng West<br>Road, Kunming                                     | 683   | 35  | 57,693    |
|                  | Chengdu<br>Branch   | No. 22 East II Section,<br>2nd Ring Road,<br>Chenghua District,<br>Chengdu | 793   | 22  | 97,591    |
|                  | Xi'an Branch        | No. 6 Jinye Road, High-<br>tech Zone, Xi'an                                | 1,243 | 63  | 159,321   |
|                  | Nanning<br>Branch   | No. 22 Jinpu Road,<br>Nanning                                              | 643   | 25  | 69,180    |
|                  | Urumqi<br>Branch    | No. 379 Xinhua South<br>Road, Urumqi                                       | 491   | 22  | 34,364    |

|                     |                 |                                                                                                                                     |       |     |         |
|---------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------|-------|-----|---------|
|                     | Hohhot Branch   | Block B Dongfang Junzuo, No. 18 Chilechuan Street, Saihan District, Hohhot                                                          | 526   | 26  | 53,567  |
|                     | Lanzhou Branch  | Room 104 of Podium and 20/F and 24-32/F of Tower B, “Hongyun Jinmao” Building, No.2 Qingyang Road, Chengguan District, Lanzhou City | 474   | 24  | 28,537  |
|                     | Guiyang Branch  | East Tower 4, Eastern Zone, Financial Business District, Part B of Zhongtian Exhibition Town, Guanshanhu District, Guiyang          | 352   | 15  | 37,071  |
|                     | Xining Branch   | 84-16, No. 1 Building, No. 84 Wusi West Road, Chengxi District, Xining City                                                         | 202   | 7   | 8,777   |
|                     | Yinchuan Branch | No. 51 Xinhua East Street, Xingqing District, Yinchuan                                                                              | 183   | 6   | 12,214  |
|                     | Lhasa Branch    | No. 1 Commerce Building, No. 48 Beijingzhong Road, Chengguan District, Lhasa                                                        | 127   | 1   | 7,045   |
|                     | Sub-total       |                                                                                                                                     | 6,493 | 275 | 677,805 |
| North-eastern China | Dalian Branch   | No. 45 Huizhan Road, Shahekou District, Dalian                                                                                      | 927   | 53  | 92,278  |
|                     | Shenyang Branch | No. 326 Fengtian Street, Shenhe District, Shenyang                                                                                  | 709   | 29  | 49,819  |
|                     | Harbin Branch   | No. 226 Hongqi Street, Nangang District, Harbin                                                                                     | 694   | 33  | 61,599  |

|                      |                  |                                                          |        |       |            |
|----------------------|------------------|----------------------------------------------------------|--------|-------|------------|
|                      | Changchun Branch | No. 3518 Renmin Street, Changchun                        | 494    | 20    | 45,615     |
|                      | Sub-total        |                                                          | 2,824  | 135   | 249,311    |
| Overseas             | Hong Kong Branch | Floor 30, SPD Bank Tower, No. 1 Hennessy Road, Hong Kong | 276    | -     | 150,099    |
|                      | Singapore Branch | 12 Marina Boulevard, #34-01, MBFC Tower 3, Singapore     | 106    | -     | 38,544     |
|                      | London Branch    | 19th floor, 1 Angel Court London, EC2R 7HJ               | 59     | -     | 12,956     |
|                      | Sub-total        |                                                          | 441    | -     | 201,599    |
| Aggregate adjustment |                  |                                                          | -      | 42    | -2,365,047 |
| Total                |                  |                                                          | 60,706 | 1,741 | 8,758,116  |

Note: The sums of columns, such as the number of employees, number of organs under jurisdiction, and total assets, do not include the data of the controlled subsidiaries. The number of employees comprises all types of workers, which are divided into 57,017 contracted employees and 3,689 outsourced service workers.

### Electronic banking

During the reporting period, the Bank allowed AI innovation to further play its enabling role, put customer experience in the first place, and reshaped the service process by digital and intelligent means to enhance user experience and service efficiency. As at the end of the reporting period, the Bank had 41,964,500 personal online banking customers, who conducted 55 million transactions in a total amount of RMB2.50 trillion in the reporting period; it had 79,789,500 personal mobile banking customers who conducted 326 million transactions in a total amount of RMB11.10 trillion in the reporting period. The number of personal customers using card-bound internet payment service reached 61,641,000, and 4,659 million transactions in a total amount of RMB1.98 trillion were conducted during the reporting period. The Bank had 3,951 self-service cash devices in service and 2,626 self-service outlets with the e-channel trading substitution rate up to 99.5%.

### Operation support

During the reporting period, the Bank upheld the customer-centric approach to solidify its basic management activities. First, it established the “SPD Account Opening” service brand, streamlining appointment procedures, implementing PAD mobile services, and tailoring service solutions for diverse customer groups to provide a seamless and efficient service experience. Second, in pursuit of “finance for the people”, it cooperated with the permanent residence permit renewal, expanded outlets accepting foreign currency banknotes, and



eradicated the practice of refusing RMB banknotes, offering convenient services to foreign residents. Meanwhile, it enhanced the real-time fraud detection capabilities, and improved the precision of fraud prevention and control model to effectively safeguard funds of the general public. Third, it made progress in building the “Online Service Middle Office” as scheduled. A new service mode was created, where customers could interact with the Bank via video link remotely, easing the shortage of operating resources and extended service resources at outlets. The service mode was utilized more than 150,000 times in total, garnering extensive acclaim from media outlets. Fourth, it strengthened the foundation for operation and management activities by embedding policies into processes and building data risk control models. These initiatives aimed to uphold the bottom line for risk control and ensure operational safety.

### 3.9.4 Analysis of major holding and participating companies

#### 3.9.4.1 External equity investments

|                                      | In RMB millions             |                  |        |                 |
|--------------------------------------|-----------------------------|------------------|--------|-----------------|
|                                      | End of the reporting period | End of last year | Change | Change rate (%) |
| Investment balance in joint ventures | 2,458                       | 2,319            | 139    | 5.99            |
| Investment balance in associates     | 367                         | 336              | 31     | 9.23            |

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

(2) Associates include China Trust Registration Corporation Limited. Shanghai Trust, a subsidiary of the Bank, sent a director to China Trust Registration Corporation Limited.

#### 3.9.4.2 Interests in unlisted financial enterprises

In RMB millions

| Investee                                    | Investment balance | Stake in the company (%) | Book value at the end of the period | Profit/loss during the reporting period | Other changes in owner's equity during the reporting period | Accounting item                                               |
|---------------------------------------------|--------------------|--------------------------|-------------------------------------|-----------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|
| AXA SPDB Investment Managers Co., Ltd.      | 612                | 51.00                    | 1,386                               | 151                                     | -                                                           | Long-term equity investment                                   |
| SPD Silicon Valley Bank Co., Ltd.           | 1,000              | 50.00                    | 1,072                               | 40                                      | -1                                                          | Long-term equity investment                                   |
| Shenlian International Investment Co., Ltd. | 286                | 16.50                    | 518                                 | 9                                       | -                                                           | Financial investments:<br>Other equity instrument investments |
| China UnionPay Co., Ltd.                    | 104                | 3.07                     | 956                                 | 52                                      | -                                                           | Financial investments:<br>Other equity instrument investments |
| National Financing Guarantee Fund Co., Ltd. | 2,000              | 3.03                     | 2,000                               | -                                       | -                                                           | Financial investments:<br>Other equity instrument investments |
| National Green Development Fund Co., Ltd.   | 1,575              | 7.91                     | 1,575                               | -                                       | -                                                           | Financial investments:<br>Other equity instrument investments |

|                                              |       |      |       |     |    |                                                          |
|----------------------------------------------|-------|------|-------|-----|----|----------------------------------------------------------|
| China Trust Registration Corporation Limited | 100   | 3.33 | 97    | -2  | -  | Long-term equity investment                              |
| China Trust Protection Fund Co., Ltd.        | 500   | 4.35 | 623   | 150 | -  | 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 |      | 8,227 | 320 | -1 |                                                          |

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

#### 3.9.4.3 Management and control of subsidiaries

In accordance with relevant internal policies such as the Management Measures of Shanghai Pudong Development Bank for Invested Companies as well as the principles of “legal compliance, categorized, group-wide, see-through, 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.

#### 3.9.4.4 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. Shanghai Trust actively advances its return to its founding mission in accordance with the requirements for dividing trust business into three types. It endeavors to foster capabilities for conducting active management, empowering the real economy, and catering to the aspirations of the Chinese people for a better life. Concurrently, it constantly innovates business and management modes. As a result, it has built up its brand image in 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 RMB531,630 million and the net assets amounted to RMB24,777 million. During the reporting period, Shanghai Trust achieved an operating income of consolidated statement of RMB8,277 million and a net profit of RMB3,845 million.

## **(2) SPDB Financial Leasing**

SPDB Financial Leasing Co., Ltd., established in May 2012, is China's first financial leasing company integrating financial capital and industry capital. SPDB Financial Leasing has a registered capital of RMB5 billion, in which the Bank holds 61.02% shares. Relying on the powerful platforms and advantageous resources of all shareholders, SPDB Financial Leasing fully exploits the functional characteristics of financial leasing as a combination of industry and finance on the one hand and a mix of funds and goods financing on the other hand. It focuses on the development of aviation, 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 RMB130,645 million and the net assets amounted to RMB11,868 million. During the reporting period, SPDB Financial Leasing achieved an operating income of RMB7,677 million and a net profit of RMB1.15 billion.

## **(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 RMB1,018,404 million. During the reporting period, SPDB Wealth Management achieved an operating income of RMB931 million and a net profit of RMB449 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 HKD21,628 million and the net assets amounted to HKD2,663 million. During the reporting period, SPDB International registered a business income of HKD534 million and a net profit of HKD-585 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 RMB1.2 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, namely 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 RMB508,859 million and the net assets amounted to RMB2,718 million. During the reporting period, AXA SPDB Investment Managers achieved an operating income of RMB1,283 million and a net profit of RMB295 million.

#### **(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 scientific and technological innovation enterprises in China. 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 RMB18,477 million and the net assets amounted to RMB2,142 million. During the reporting period, SPD Silicon Valley Bank achieved an operating income of RMB409 million and a net profit of RMB68 million.

#### **(7) SPD rural banks**

SPD rural banks are banking financial institutions, each with an independent legal person status, incorporated by the Bank to implement the decisions and plans of the CPC Central Committee and State Council on the work of agriculture, rural areas, and rural residents and to better serve national strategies, fulfill its corporate social responsibilities (CSR), and develop inclusive finance. The Bank incorporated its first SPD rural bank in Mianzhu, Sichuan in 2008. As at the end of the reporting period, a total of 28 SPD rural banks were established in 19 provinces and cities of China, more than 70% of which were located in the central, western and northeastern parts of the country. SPD rural banks are committed to serving agriculture,

rural areas and farmers and supporting micro and small enterprises in county areas. Closely aligned with the rural revitalization strategy of China and the Group's development plans, they position themselves as "small yet significant" financial institutions engaged in "supporting agriculture and micro and small enterprises". Guided by the "small-amount and decentralized" business tenet, they made solid strides in conducting customer management, supporting the development of rural economy, and alleviating the financing difficulties of farmers and micro and small enterprises. To date, they have played a significant role in providing high-quality financial services in the countryside. In 2023, six 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 RMB39,735 million and the net assets of RMB5,127 million. Their deposit balance was RMB32,543 million and loan balance was RMB23,089 million. They had 1,377,800 settlement customers and 55,800 loan customers. The agro-related loans and loans to micro and small enterprises accounted for over 87% of the total loans. During the reporting period, 28 SPD rural banks achieved an operating income of RMB776 million and a net profit of RMB116 million.

### **3.10 Key Issues of Concern in Operations**

#### **3.10.1 Loans to customers**

As at the end of the reporting period, total assets of the Group posted RMB9,007,247 million, representing an increase of RMB302,596 million or 3.48% over the end of the previous year. Among these, total loans in RMB and foreign currencies (including discounted bills) amounted to RMB5,017,754 million, an increase of RMB117,092 million or 2.39% compared to the end of last year. Specifically, total corporate loans (excluding discounted bills) reached RMB2,840,999 million, marking an increase of 9.35%.

During the reporting period, the Bank kept improving its credit structure. In terms of corporate credit, it actively implemented the requirements of the Central Financial Work Conference, and continuously increased its support to the real economy with a focus on five priorities of technology finance, green finance, inclusive finance, pension finance, and digital finance. As at the end of the reporting period, the balance of the Bank's medium and long-term loans to the manufacturing industry amounted to RMB278 billion, an increase of 27.35%. The Bank served more than 50,000 tech companies, of whom 12,000 were loan customers posting a balance of loans worth over RMB500 billion, up more than 30%. The balance of green credit stood at RMB524.6 billion, an increase of 22.82%. The balance of inclusive loans meeting the "two increases and two controls" assessment requirements reached RMB422.4 billion, up 12.15%. All of the above loan types grew faster than the average loan growth rate of the Bank. Concurrently, orderly progress was made to replace low-yield assets with general loans. As at the end of the reporting period, the balance and percentage of corporate loans rose by RMB242.9 billion and 3.60 percentage points respectively, compared with the end of last year. The balance and percentage of discounted bills decreased by RMB99.3 billion and 2.17 percentage points respectively, compared to the end of last year. Regarding retail credit, the Bank progressively refined its business structure, and reduced its reliance on high-risk businesses through the expansion of high-quality customers and scenario-based development. The proportion of online loans, credit card cash installments, and other similar businesses in

retail loans declined for the third consecutive year, which stood at 5.7% at the end of the reporting period, posting a cumulative decline of 8 percentage points over the past three years.

In 2024, the Bank will continue to develop five priorities of technology finance, green finance, inclusive finance, pension finance, and digital finance vigorously. To achieve this goal, it will prioritize efforts in five priority tracks to sustain stable credit growth, optimize the credit structure, and serve the high-quality development of the real economy.

### **3.10.2 Deposits from customers**

During the reporting period, the Bank proactively forecast potential interest rate trends, strengthened the management of liabilities in terms of “quantity, price, and quality”, and continuously improved the flexibility and stability of deposit allocation. It devised strategies to optimize the deposit structure, and forecast opportunities to lower interest rates for medium and long-term deposits, thus refining the pace of deposit absorption and reducing liability expenses. Meanwhile, the Bank enhanced customer loyalty and stabilized the proportion of settlement deposits through initiatives like prioritizing the acquisition of new customers, diversifying sources of funds, and delivering financial services throughout the customer lifecycle.

The Bank effectively controlled its interest payment rate on general deposits denominated in RMB, which went down by 8bps from the previous year. Specifically, the interest payment rates on deposits from corporate customers and retail customers decreased by 6bps and 14bps, respectively. The percentage of structured deposits at the end of the year dropped by 0.5 percentage point from the beginning of the year, while the proportion of time deposits with duration of three years or longer declined by 0.8 percentage point from the beginning of the year. The average daily size of the Bank’s general deposits in local and foreign currencies stood at RMB4.9 trillion, an increase of 5.93% over the previous year, and the average daily balance of deposits as a percentage of interest-bearing liabilities reached 63.5%, an increase of 1.15 percentage points over the previous year, indicating the further enhanced stability of liabilities.

In 2024, amidst the progression of the market-oriented interest rate reform, the effective interest rate has exhibited a noticeable downward trajectory. However, deposits face challenges stemming from market competition and the influence of long-term, fixed-term, and wealth management products, leading to a slowdown in the growth rate of deposits and in the reduction of interest payment rates. Recognizing deposits as the cornerstone of commercial bank operations, the Bank is committed to fulfilling its fundamental role of serving the real economy through financial services. To expand its deposit base, the Bank will pursue several strategic initiatives. Firstly, it will adopt a customer-centric approach, focusing on the five priority tracks to deliver high-quality financial services, solidify and enlarge its customer base. Secondly, the Bank will prioritize service excellence, product innovation, and operational enhancement to attract high-quality funds, with a particular emphasis on settlement deposits, thus establishing a robust foundation for deposit security. Thirdly, maintaining a value-oriented approach, the Bank will concentrate its operational and management efforts on low-cost and settlement deposits to diversify liability sources and improve liability quality.

### **3.10.3 Net interest margin**

As at the end of 2023, the Group's net interest margin (net interest yield) was 1.52%, a decrease of 25bps from the end of the previous year. Specifically, on the loan side, the interest yield experienced a year-on-year decrease of 29bps due to the impact of fee reductions and profit concessions, loan prime rate (LPR) cuts, and reductions in interest rates for existing home mortgage loans. These factors collectively contributed to the main driver behind the decline in net interest margin.

Over the past two years, the net interest margin of the Chinese banking industry experienced a total decrease of 39bps, with the Bank's margin declining by 31bps, trailing the industry average by 8bps. During the reporting period, the Bank focused on mitigating the decline in return on assets by implementing several strategic measures. These included optimizing the asset structure, enhancing loan risk pricing management, and increasing the acquisition of high-yield assets. Additionally, the Bank adopted an integrated approach to liability management. This involved bolstering liability flexibility and sensitivity in response to changes in interest payment rates across different types of liabilities. Furthermore, it rationalized the maturity structure of its liabilities to slow down the growth of interest payment rates.

In 2024, the net interest margin of the Chinese banking industry is expected to continue facing downward pressure, primarily due to factors such as further reductions in LPR and the repricing of interest rates on existing loans. In response to this challenging environment and to effectively implement the core requirements of China's financial supply-side structural reform, the Bank will focus on enhancing efficient financial supply around five priority tracks, five priorities of technology finance, green finance, inclusive finance, pension finance, and digital finance, and the building of Shanghai as "five centers". Balancing its role in supporting national strategies, bolstering economic recovery, fulfilling CSRs, and achieving its own high-quality development, the Bank will pursue sustainable and intensive growth on the asset side. Simultaneously, the Bank will intensify its market research and analysis efforts, capitalize on opportune moments, and adopt flexible strategies in terms of term, variety, and region to decrease the proportion of high-cost liabilities. Furthermore, as it advances its digitalization & intelligentization strategy, the Bank will enhance its customer acquisition capabilities through scenario-based approaches, solidifying its customer base and continuously diversifying its sources of low-cost settlement deposits. These initiatives aim to narrow the year-on-year decline in net interest margin for the Bank in 2024.

#### **3.10.4 Asset quality**

As per the "six-early" principles of early prediction, early judgement, early prevention, early exposure, early disposal, and early liquidation, the Bank has established a risk asset management model covering the entire asset lifecycle from placement and monitoring to risk disposal and liquidation. As at the end of 2023, the Group had achieved a reduction in its NPL balance and ratio for four consecutive years. The NPL balance amounted to RMB74,198 million, marking a decrease of RMB421 million compared to the previous year's end. The NPL ratio stood at 1.48%, declining by 0.04 percentage point compared to the end of the previous year and by 0.87 percentage point from its peak of 2.35% in recent years (as of the end of September 2017). While actively curbing new risks and mitigating existing ones, the Bank succeeded in reducing its NPL migration rate by 0.14 percentage point year-on-year to 1.47%. Moreover, the Group's provision coverage ratio reached 173.51%, marking an increase of 14.47 percentage points from the beginning of the year. This ratio has seen continuous growth



over three years, reaching its highest level since 2015. This indicated a significant enhancement in the Bank's risk offsetting capabilities.

During the reporting period, the Bank diligently adhered to regulatory requirements and proactively utilized various methods such as liquidation, transfer, write-off, restructuring, debt-to-equity swaps, and asset securitization to consistently enhance the disposal of NPAs. It systemically formulated precise disposal plans based on scientific and reasonable assessments, and persistently addressed risk assets while capitalizing on market opportunities to optimize the efficiency of asset disposal. During the reporting period, a total of RMB60,451 million worth of loss-type assets were written off, contributing to the overall stability of asset quality at the Bank.

In 2024, the Bank will continue to enhance its comprehensive risk management system, focus on strengthening the institutional groundwork for risk management and prudently craft its annual corporate customer credit investment policy. Efforts will be intensified to advance risk disposal and resolution, with a particular emphasis on enhancing the effectiveness of differentiated disposal for existing risks and reinforcing cash recovery initiatives. Additionally, the Bank will proactively pursue cash withdrawal from customers flagged by early warning systems to prevent potential incremental risks, thereby averting downward asset quality migration. Furthermore, the Bank will work toward enhancing the efficacy of value management across the entire lifecycle of NPAs, consolidating the ongoing trend of improved asset quality.

### **3.10.5 Risk control in the real estate sector**

During the reporting period, the Bank diligently adhered to regulatory requirements pertaining to housing, and provided support for first-time homebuyers and upgraders while reinforcing assistance for the construction of "three major projects", which included government-subsidized housing. This commitment resulted in a reasonable growth in housing-related loans throughout the year. As at the end of the reporting period, the Bank's housing-related loans totaled RMB1,183.9 billion. Notably, the balance of corporate real estate loans reached RMB345.7 billion, marking an increase of RMB23.7 billion or 7.36% from the previous year's end. Amidst the structural adjustments in the real estate industry, the Bank's housing-related loans encountered some pressure in terms of quality deterioration. Nevertheless, the NPL ratio remained stable overall. As at the end of the reporting period, the non-performing ratio of the Bank's corporate real estate loans stood at 4.11%, while that of personal housing loans was 0.62%.

In 2024, the Bank will continue its in-depth implementation of decisions and plans set forth by the CPC Central Committee and the State Council, and foster collaboration with real estate development enterprises. It will accurately cater to the reasonable financing needs of real estate projects, and maintain a stance of reasonable and moderate real estate financing to support the stable and sound development of the real estate market. To this end, the Bank will engage in scientific adjustments to city categorization, and prioritize support for urban clusters exhibiting significant population influx, distinct industrial development, and active market dynamics. It will introduce a namelist-based customer onboarding system for real estate development loans to address the financing needs of various types of real estate enterprises effectively. With a focus on accelerating the establishment of a new model of real estate development, the Bank will augment its support for the "three major projects": the

development of government-subsidized housing, the construction of flexible recreational facilities convertible into emergency structures (e.g. makeshift hospitals during epidemics), and the redevelopment of shantytowns. Furthermore, the Bank will actively engage with local governments and regulatory authorities, and leverage coordination mechanisms to provide precise financing support for real estate projects outlined in development plans. Additionally, it will strengthen business risk prevention and control measures, consolidate risk mitigation strategies, and ensure proper risk management throughout the entire process of real estate lending.

### **3.10.6 “100-day Action” campaign**

In September 2023, the Bank initiated the “100-day Action” campaign, targeting credit extension, operating income, fee-based income, and asset recovery, and revitalized growth across five priority tracks. Through concerted efforts, the Bank sought to restore the sound expansion of asset investment, and steer business growth back on the right trajectory.

First, the Bank’s credit asset investments experienced expanded volume at stabilized prices, leading to significantly improved operational outcomes. During the campaign, the Bank’s new RMB loans ranked second among China’s joint-stock commercial banks, with its corporate loan market share increasing by 0.4 percentage point. Moreover, the proportion of loans priced above the consensual interest rate in the new corporate loans surged by more than 10 percentage points, indicating robust momentum in volume expansion and price stabilization. On the liability side, the Bank exercised tight cost control measures and continued to enhance the refined management of interest rate spreads, effectively narrowing the revenue budget gap. Consequently, the net profit attributable to the parent company in the fourth quarter alone witnessed a substantial increase of RMB3.87 billion compared to the previous quarter. This marked improvement signified stabilized and enhanced operating performance.

Second, the Bank intensified its endeavors in risk control and risk disposal. While actively supplying acceptable assets, it extensively employed a range of market-oriented disposal methods. The Bank continuously bolstered risk prevention and resolution efforts in key regions, areas, and projects, to enhance risk control and resolution practices. As per a principle of prioritizing risk management, risk control measures were integrated into all business systems, ensuring control across all business processes and categories. Throughout the campaign, the Bank accelerated the pace of cash recovery, resulting in an all-time high annual cash recovery amount.

Third, embracing a problem-oriented approach, the Bank undertook extensive primary-level research, and compiled a comprehensive list of demands. It explored the establishment of a stratified and categorized processing mechanism, along with a dedicated taskforce, to tackle critical obstacles and challenges impeding business growth. This concerted effort involved efficiently coordinating various stakeholders to address issues effectively, thereby strengthening the foundation for business management.

## **3.11 Other Information Disclosed Pursuant to Regulatory Requirements**

### **3.11.1 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 Ministry of Finance, interest on financial instruments accrued by the effective interest rate method is reflected in the corresponding financial instrument statement items, and interest due and receivable but not yet collected is presented in the “Other assets” item.

#### **Bad-debt provision for interest receivable**

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

#### **3.11.2 Repossessed assets and provision for impairment**

|                                                  | In RMB millions             |                  |
|--------------------------------------------------|-----------------------------|------------------|
|                                                  | End of the reporting period | End of last year |
| Original value of repossessed assets             | 652                         | 600              |
| Less: Allowance for repossessed asset impairment | 204                         | 156              |
| Net value of repossessed assets                  | 448                         | 444              |

#### **3.11.3 Financial assets and liabilities measured at fair value**

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

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

In RMB millions

| Items in connection with the measurement of fair value             | 31 December 2022 | 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 2023 |
|--------------------------------------------------------------------|------------------|----------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------|------------------|
| <b>Financial assets</b>                                            |                  |                                                                |                                                        |                                              |                  |
| 1. Precious metals                                                 | 3,948            | 1,216                                                          | -                                                      | -                                            | 17,526           |
| 2. Held-for-trading financial assets                               | 708,984          | 3,926                                                          | -                                                      | -                                            | 780,226          |
| 3. Derivative financial assets                                     | 42,829           | 1,563                                                          | -                                                      | -                                            | 56,311           |
| 4. Loans measured at fair value through profit or loss             | 60,223           | -31                                                            | -                                                      | -                                            | 7,784            |
| 5. Loans measured at fair value through other comprehensive income | 468,537          | -                                                              | -16                                                    | -276                                         | 370,748          |
| 6. Other creditor's rights investments                             | 641,918          | 451                                                            | -3,629                                                 | 2,576                                        | 618,017          |
| 7. Other equity instrument investments                             | 7,870            | -                                                              | -158                                                   | -                                            | 6,730            |
| Total financial assets                                             | 1,934,309        | 7,125                                                          | -3,803                                                 | 2,300                                        | 1,857,342        |
| <b>Financial liabilities</b>                                       |                  |                                                                |                                                        |                                              |                  |
| 1. Held-for-trading financial liabilities                          | 10,238           | -2,275                                                         | -                                                      | -                                            | 10,207           |

|                                     |        |       |   |   |        |
|-------------------------------------|--------|-------|---|---|--------|
| 2. Derivative financial liabilities | 37,526 | 8,295 | - | - | 52,293 |
| Total financial liabilities         | 47,764 | 6,020 | - | - | 62,500 |

Note: This table has no consequent articulation.

### **3.11.4 Entrusted asset management, asset securitization and various agency and custody businesses as well as their profit or loss within the reporting period**

#### **3.11.4.1 Wealth management business and its profit or loss in the reporting period**

During the reporting period, the Bank comprehensively bolstered its capacity to create wealth value, and offered a diverse range of full-category, open-ended products to meet varying customer needs. By enriching its product offerings and providing comprehensive solutions for wealth management, the Bank solidified its reputation for delivering low-volatility and stable business performance. Additionally, it focused on constructing a moat of high-quality assets, ensured transparency and tracked strategies meticulously. Moreover, the Bank prioritized customer accompaniment and investor education, and strove to deliver attentive wealth management services.

#### **3.11.4.2 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 asset securitization projects totaling RMB19,693 million as the lead underwriter.

#### **3.11.4.3 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 RMB16.66 trillion. During the reporting period, the business generated a total of RMB2,272 million of custody fee income.

#### **3.11.4.4 Trust business and its profit or loss in the reporting period**

Regarding trust business, the Bank proactively integrated into the wealth management sector, and augmented its six product lines catering to conservative, prudent, balanced, aggressive, overseas, and alternative investment needs, all centering around profitable experiences. These efforts resulted in a steady increase in the scale of agency sales business and the number of customers holding positions.

#### **3.11.4.5 Funds and securities (agency) business and its profit or loss in the reporting period**

During the reporting period, in the fund and securities agency business, the Bank focused on enhancing its specialized investment and research capabilities, and implemented strict control

over product access and sales processes while optimizing product strategies. These efforts cultivated the potential for customers' wealth growth. In the insurance agency business, the Bank deepened its strategic partnerships with industry-leading agencies to facilitate the transition toward installment insurance business.

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

| In RMB millions               |                             |                  |
|-------------------------------|-----------------------------|------------------|
| The Group                     | End of the reporting period | End of last year |
| Credit commitments            | 2,009,029                   | 1,780,108        |
| Incl.: Bank's acceptance bill | 679,362                     | 729,985          |
| Letters of credit issued      | 261,517                     | 236,245          |
| Letters of guarantee issued   | 108,672                     | 109,643          |
| Credit card commitments       | 659,296                     | 662,248          |
| Other loan commitments        | 300,182                     | 41,987           |
| Capital commitments           | 28,367                      | 23,202           |

### 3.11.6 Quality of liabilities

During the reporting period, the Group took proactive measures to restructure its liabilities, with a focus on increasing the proportion of deposits to optimize the quality of its liabilities. Firstly, through refined customer management practices and the introduction of new products, the Group successfully elevated the proportion of deposits while enhancing the stability of its liabilities. Secondly, it continued to strengthen the management of deposit structure and interest payment rates. Despite a prevailing environment where long-term time deposits were predominant, the Group managed to decrease its interest payment rate on RMB deposits by 0.08 percentage points. Thirdly, the Group experienced a slight increase in its average cost ratio of liabilities, attributed to factors such as the Federal Reserve's interest rate hikes.

As at the end of the reporting period, total liabilities of the Group reached RMB8,274,363 million, representing an increase of RMB276,487 million or 3.46%, as compared with the end of the previous year. The average daily balance of deposits accounted for 63.50% of interest-bearing liabilities, representing an increase of 1.15 percentage points, indicating enhanced stability in sources of liabilities. During the reporting period, the average cost ratio of liabilities was 2.33%, an increase of 0.09 percentage point compared with a year before.

## 3.12 Discussion and Analysis on Future Development

### 3.12.1 Landscape and development trend of the industry

In 2023, the Chinese banking industry demonstrated overall stability, characterized by the expansion of asset scale, continued improvement in financial services, steady enhancement of asset quality, and robust liquidity. While profit growth experienced a slight slowdown, the

industry maintained an adequate ability to compensate for risks. The banking industry continued to serve the real economy with the quality and efficiency further assured. As at the end of 2023, financial institutions across the Chinese banking industry posted total RMB and foreign currency assets of RMB417.3 trillion, up 9.9% year on year. Specifically, total local and foreign currency assets of large commercial banks amounted to RMB176.8 trillion, representing a year-on-year increase of 13.1% and accounting for 42.4%, while total local and foreign currency assets of joint-stock commercial banks stood at RMB70.9 trillion, marking a year-on-year increase of 6.7% and accounting for 17%. The balance of loans granted by banking financial institutions to micro and small enterprises stood at RMB70.9 trillion, of which the balance of inclusive loans to micro and small enterprises each with total credit lines of up to RMB10 million amounted to RMB29.1 trillion, a year-on-year increase of 23.3%.

In 2023, commercial banks realized a cumulative net profit of RMB2.4 trillion, a year-on-year increase of 3.2%, with an average return on capital of 8.93%. As at the end of 2023, the overall CAR of commercial banks stood at 15.06%, with the core tier-one CAR at 10.54% and the tier-one CAR at 12.12%. The provision coverage ratio was 205.14%, continuing to maintain a high level. The NPL balance of commercial banks reported RMB3.2 trillion, with an NPL ratio of 1.59%. The liquidity coverage ratio of banks each with assets of more than RMB200 billion was 151.6%, with a net stable funding ratio of 125.5%. The high-quality liquidity CAR of banks each with assets of less than RMB200 billion was 269.4%. All types of institutions maintained their liquidity indicators at a high level.

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.

### 3.12.2 Management measures for the next stage

– **Focusing on five priority tracks to implement the digitalization & intelligentization strategy faster.** The Bank is committed to building technology finance as a distinguished business brand, and encompassing a comprehensive service model covering stock, bond, loan, insurance, leasing, incubation, match-making, and cooperation. This initiative aims to create a high-quality and sustainable integrated service system for the lifecycle of technology finance. Furthermore, the Bank will expedite the development of an all-channel, multi-product, and high-efficiency digital and intelligent supply chain finance platform. By removing barriers between financial services and industrial ecosystems, the Bank seeks to establish an open and shared supply chain finance ecosystem tailored to business scenarios. In addition, the Bank will forge a new ecosystem of digital and intelligent inclusive finance driven by data. This initiative aims to accelerate the expansion of market share and coverage among long-tail customer groups, including corporate and retail customers. Moreover, the Bank will continue to strengthen its position in cross-border finance, and seize significant opportunities such as the higher-standard opening-up drive and the ongoing building of Shanghai as “five centers”. Efforts will be made to enhance the “6+X” cross-border finance service system. While enhancing group-wide coordination, the Bank will expedite the implementation of a new approach to digital and intelligent wealth and asset management finance. This includes bolstering capabilities in the wealth management platform across “ecological organization”,

“digital operation”, and “intelligent service”. Additionally, a new service model will be established with equal emphasis placed on online direct operation and offline outlets.

– **Consolidating corporate banking, retail banking, and financial markets as three primary business segments.** In the corporate banking business, on the asset side, the Bank will capitalize on the favorable policy environment and ongoing economic recovery to expedite the provision of high-quality loans. On the liability side, leveraging digital tools, it will streamline the fund collection and payment process, transaction settlement, and treasury management, establish an uninterrupted value chain, and focus on enhancing customer loyalty to retain more settlement deposits. On the fee-based income side, the Bank will quickly venture into the field of large and strategic customer management through the pan-investment banking business, and further enhance its superior brands in areas such as bond underwriting, green finance, equity M&A, syndicated loans, and asset securitization. In the realm of retail banking business, on the asset side, the Bank will steadily ensure the scale-quality balance. On the liability side, it will fully leverage the role of AUM as a deposit reservoir. Focusing on five major sources of funds (source funds, consumption funds, matured funds, external funds and borrowings) as well as ten key customer segments, such as agency payroll, withholding, and payment on agency, the Bank will expedite the expansion of diverse settlement deposit channels. On the fee-based income side, it will enhance the sales volume and production capacity of key products through the output of specialized investment and research strategies. In the area of financial markets business, on the asset side, the Bank will proactively grasp the fluctuation trends of various markets, and advance the decentralized and balanced allocation of interbank assets. On the liability side, it will dynamically optimize the strategy of absorbing interbank liabilities to enhance the management of financial institutions as a customer group. On the fee-based income side, the Bank will prioritize expanding the market influence of “SPDB Risk Hedging” and “SPD Custodian”.

– **Highlighting two core indicators: efficiency and quality.** The Bank will dynamically optimize asset and liability allocation strategies and conduct active resource management with greater efficiency. It will actively engage in risk disposal and resolution, and consolidate the ongoing trend of asset quality improvement across the board. It will continue to enhance its comprehensive risk management capabilities by further enriching its digital and intelligent risk management toolbox. Additionally, the Bank will focus on continuously improving the quality of compliance and audit efforts to establish a robust bottom line for internal control management. Embracing the concept of “finance for the people”, it will continuously optimize its long-term management mechanism for consumer protection, so as to do better in this regard.

– **Tamping down the foundation for meticulous and lead management.** The Bank will deepen the reform of its incentive and constraint mechanisms, and establish a differentiated performance appraisal and evaluation system closely aligned with strategic objectives. Additionally, the Bank will prioritize the establishment of a high-standard digital base and accelerate the development of an intelligent extensive operation system. Furthermore, the Bank will make strides in building a high-quality talent team, recognizing that human resources are a core competitive advantage. Moreover, it will explore its internal potential and support production capacity growth with a focus on cost reduction and efficiency improvement. Finally, the Bank will steadily promote group-wide and international development, while prioritizing foundational work in various fields.



### 3.12.3 Possible risks confronting the Bank

**In the realm of economic and financial landscapes**, the global economic recovery continues to contend with a multitude of factors causing instability, uncertainty, and insecurity. Various risks, including geopolitical conflicts, energy shortages, and high inflation rates, have contributed to slowing down the pace of global economic resurgence. Simultaneously, the foundation for sustained recovery and development of the Chinese economy remains tenuous. The challenge of insufficient effective demand persists, while residents' income expectations are still under recovery. Against this backdrop, commercial banks are confronted with numerous challenges in their operations and development endeavors.

**From a regulatory standpoint**, financial authorities have remained steadfast in their commitment to stringent oversight and robust regulation without compromise. Efforts have been intensified to address prevailing risks, particularly in critical areas such as resolving local hidden debts and orderly disposing of high-risk groups within the real estate sector. Furthermore, supervision of financial institutions has been bolstered, particularly in areas concerning the development of online finance, prevention and management of illegal fundraising, and consumer protection. In response to significant shifts in the supply and demand dynamics of China's real estate market, financial supervision has adapted accordingly. This includes increasing financial support for the stable development of the real estate sector and enhancing financial supply for the green economy. Financial institutions are being guided to actively expand their offerings in green finance services.

**Considering the competitive landscape**, factors such as the interest rate liberalization reform, the ongoing deepening of financial disintermediation, and the green and low-carbon transformation of the Chinese economy and society are imposing higher demands on the high-quality development of commercial banks. In 2023, the PBC implemented multiple reductions in the RRR and the quoted deposit interest rate, while policy interest rates, exemplified by the LPR, are expected to remain at a low level to bolster economic recovery. This continual reduction in interest rates is exerting pressure on profit margins for commercial banks, particularly on the asset side. Moreover, the process of financial disintermediation is eroding customer loyalty, presenting commercial banks with significant challenges across customer management, product pricing, asset acquisition, and risk management. Additionally, as the Chinese economy and society transition toward green and low-carbon development at an accelerated pace, this shift will profoundly alter economic, energy, and industrial structures, necessitating commercial banks to adapt accordingly in terms of meeting higher standards in areas such as green finance, green and low-carbon transformation, and environmental and climate-related risk management.

## 3.13 Risk Management

### 3.13.1 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.

### **3.13.2 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.

### **3.13.3 Statement on credit risk**

During the reporting period, the Bank's credit risk remained generally stable and well-managed, with both NPL balance and ratio on the decline. The provision coverage ratio increased, consistently surpassing the regulatory requirement.

#### **3.13.3.1 Policy making**

The Bank adopted risk appetite as the overarching principle to continuously intensify comprehensive control over all types of risks. Firstly, it issued the Annual Risk Appetite of Shanghai Pudong Development Bank (2023), strictly implementing the requirements for appetite monitoring and management. Meanwhile, it monitored, analyzed, and managed risks through the ladder-type management system, which encompassed early warning values and tolerance values, thereby enhancing refined risk management. Secondly, the Bank continued to push forward the risk appetite appraisal mechanism, and augment the binding force and gravity of the appetite.

In terms of credit extension policy, the Bank steadfastly aligned its actions with national strategies and the real economy, actively executing economic and industrial policies alongside major strategic plans outlined by Shanghai. It prudently formulated annual credit investment policies for corporate customers. To enact these policies effectively, industry-specific limit control programs were established for corporate customers. These programs functioned to set constraints on limits, and employed a limit management mode to oversee industry classification, proportion control, and monitoring of industry aggregate and concentration. Simultaneously, the Bank prioritized the provision of acceptable assets, and fostered coordinated regional development while continually guiding the adjustment and optimization of asset structures to facilitate the high-quality development of customer management.

### **3.13.3.2 Credit extension management**

First, the Bank closely monitored the national macroeconomic and financial landscapes, conscientiously implemented the directives outlined at the Central Economic Work Conference and the Central Financial Work Conference, and maintained a stance of prudence and professionalism in business approval, with the quality of approval improved steadily.

Second, the Bank persistently conducted quality inspections of corporate credit operations, thereby fostering continued enhancement to the compliance of right exercise and the appropriateness of approval. It effectively safeguarded the stability of corporate asset quality.

Third, the Bank made continuous strides in enhancing intensive credit management. It initially established a new professional sequence for loan review, thereby laying the groundwork for comprehensive management. These efforts resulted in an overall enhancement of credit management practices.

Fourth, 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 stratified training, online teaching, and communication with internal and external experts.

Fifth, 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.

### **3.13.3.3 Risk forewarning**

The Bank implemented a digital and intelligent risk monitoring system across the Group. Firstly, it comprehensively integrated various data mined, and leveraged big data and AI technology to establish digital monitoring rules and intelligent risk control models. These facilitated the real-time monitoring of risk dynamics across multiple dimensions including business lines, institutions, industries, products, and customers, offering decision-making support for risk management. Secondly, a customer-centric, pervasive risk forewarning system was established within the Group. This system identified potential default risks among customers, issued warning signals, froze credit lines granted to high-risk customers, and facilitated chain-type risk warnings derived from related parties automatically. Thirdly, the Bank implemented process management, and embedded risk control measures throughout the entire credit granting process. It generated customer risk profiles prior to lending, identified customer and business risks during lending, and monitored the implementation of credit approval and the flow of credit funds after lending to facilitate the “three inspections” of loans.

### **3.13.3.4 Asset preservation**

During the reporting period, the Bank increased its efforts in cash recovery by employing a wide range of disposal means such as market-based transfers, debt-to-equity swaps, restructuring, and diverse dispute resolution mechanisms, and thus achieved positive outcomes in NPA disposal and cash recovery.

### **3.13.3.5 Write-off of loss loans of the Bank during the reporting period**

During the reporting period, based on the Management Measures of Shanghai Pudong Development Bank on Write-off of Asset Losses, the total amount of loss-type assets of the parent company, as approved by the Board of Directors or by the Senior Management upon

the authorization of the Board of Directors, and subsequently subjected to accounting treatment for write-off, amounted to RMB60,451 million. According to the principle of “account cancellation, case recording and existence of right”, the Bank continued to maintain the right of recourse to minimize the credit fund loss.

#### **3.13.4 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 proactive management, the liquidity cost can be reduced, liquidity crisis can be avoided, and the systemic liquidity risk can be coped with effectively. In accordance with the Group’s liquidity risk policy and risk limit requirements, in line with the pace of credit policy and monetary policy regulation, and in light of its own asset-liability structure and overall balance of funds, the Bank has kept layered and proactive management of liquidity risk as per the principle of aggregate balance and structural equilibrium. By establishing a monitoring mechanism for aggregate liquidity, it has strengthened real-time monitoring on intraday position accounts in local and foreign currencies, and made centralized allocation of positions in local and foreign currencies. It has improved position forecasting in light of business developments, continued to enhance the position forecasting mechanism, and established a beforehand declaration system for large-amount positions. It has prepared a cash flow gap table on a daily basis, and used the gap management method to predict cash flow gap changes in future assets and liabilities’ on-and-off-balance sheet items. It has carried out regular stress tests and emergency response drills, and enhanced its ability to respond to and deal with liquidity risk events. It has closely monitored indicators related to liquidity risk, promptly conducted liquidity risk assessment for assets and liabilities’ on-and-off-balance sheet items, and made proactive financing arrangements and adjustments to asset and liability portfolios, to meet liquidity safety requirements and achieve a balance between liquidity, safety, and profitability.

During the reporting period, the Bank’s liquidity operated smoothly, with the level of liquidity risk deemed safe and manageable. Firstly, provisioning was safe and abundant, and the cash flow gap was maintained at a reasonable level. Secondly, efforts were made to enhance the stability of liabilities, optimize the liability structure, and achieve effective growth in deposits. Thirdly, liquidity risk indicators consistently met the standards in a steady manner, all of which were in compliance with the regulatory requirements and the risk appetite requirements set forth by the Board of Directors of the Bank. Overall, the Bank’s liquidity risk remained at a low level.

#### **3.13.5 Statement on market risk**

During the reporting period, 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 strengthened capital constraints and enhanced the application of the new standardized approach for market

risk in limit management. Third, it adapted the market risk system (version 2.0) to align with the Rules on Capital Management of Commercial Banks and the requirements of the international interest rate reform. This ensured that the system could comprehensively support regulatory, business, and market risk management requirements, thereby enhancing the digital and intellectual capabilities of market risk management and control practices.

In RMB millions

| Date             | General risk capital |                    |              |                |            | Specific risk capital | Total    |
|------------------|----------------------|--------------------|--------------|----------------|------------|-----------------------|----------|
|                  | Interest rate risk   | Exchange rate risk | Options risk | Commodity risk | Stock risk |                       |          |
| 31 December 2023 | 3,085.95             | 1,018.47           | 215.36       | 428.36         | 57.61      | 407.52                | 5,213.27 |

#### **Interest rate risk in the trading book (IRRTB)**

The Bank has incorporated IRRTB into its market risk management system. It conducts regular interest rate risk measurements and stress tests, enhances its efforts in interest rate risk prevention, and maintains IRRTB at a reasonable level.

#### **Interest rate risk in the banking book (IRRBB)**

The Group has established a comprehensive IRRBB management system. It mainly adopts appropriate methods and tools such as repricing gap analysis, duration analysis, sensitivity analysis, and scenario simulation to measure and monitor IRRBB. During the reporting period, adhering to the neutral and prudent IRRBB appetite and risk management strategy, the Group strengthened the research and assessment of macro-economic and monetary policies at home and abroad and implemented dynamic monitoring and forward-looking risk management in light of the impact of interest rate marketization and interest rate curve movements. During the reporting period, the Group aligned its business scale and term structure with the risk management strategy and asset-liability operation objectives by utilizing proactive allocation tools for assets and liabilities, as well as pricing tools. As a result, IRRBB indicators remained within the risk appetite established by the Board of Directors, ensuring that the overall risk level remained stable and manageable.

#### **Exchange rate risk in the trading book (ERRTB)**

The Bank has incorporated ERRTB into its market risk management system. It conducts regular exchange rate risk measurements and stress tests, enhances its efforts in exchange rate risk prevention, and maintains ERRTB at a reasonable level.

#### **Exchange rate risk in the banking book (ERRBB)**

The Bank primarily utilizes measurement and analysis methods, such as exposure monitoring, exposure analysis, and scenario simulation, to assess the current status and trends of ERRBB and implement management measures, so as to control the risk within a reasonable and tolerable range. During the reporting period, adhering to a neutral and prudent strategy, the Bank managed ERRBB, ensuring such risk remained sound and manageable.

### **3.13.6 Statement on operational risk**

Operational risk refers to the risk of losses caused by a 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, despite encountering tightened regulation and a variety of internal and external fraud risks, the Bank persisted in expanding its range of new business initiatives while refining its operational processes. 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, such as 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 validating and maintaining 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.

### **3.13.7 Statement on other risks**

#### **3.13.7.1 Large exposures management**

According to the Administrative Measures on Large Exposures of Commercial Banks (Y.B.J.H. [2018] No.1 Order), large exposure refers to the credit risk exposures of a commercial bank exceeding 2.5% of its net tier-one capital (including various kinds of credit risk exposures arising in the banking book and the trading book) to a single customer or a group of related customers. The Bank has been actively engaged in managing large exposures within its comprehensive risk management framework, continuously improving the large exposure management policy system, optimizing the management information system, measuring and monitoring large exposures in an orderly manner, and reporting large exposures to regulatory authorities on a regular basis. During the reporting period, with the exception of customers exempt from regulatory requirements, the Bank's non-interbank single customers, non-interbank group customers, interbank single customers, and interbank group customers that met the criteria for large risk exposures all complied with regulatory requirements.

#### **3.13.7.2 Compliance risk**

During the reporting period, the Bank concentrated on its strategic objectives, intensified the reform of compliance policies and mechanisms, and thoroughly integrated these policies and mechanisms into relevant operations, hence advancing the digital transformation of compliance in a steady manner. The Bank standardized compliance workflows, optimized compliance decision-making mechanisms, and bolstered organizational structures to support compliance efforts. These measures further solidified the foundation of compliance management, facilitated and safeguarded sound business development. During the reporting period, the overall situation of the Bank's compliance risk management was sound, with no major risk events or major cases violating rules and laws.

#### **3.13.7.3 Anti-money laundering (AML)**



The Bank actively employs a “risk-based” approach, proactively identifies both internal and external money laundering risks, and tailors appropriate internal control mechanisms according to risk levels. During the reporting period, it continued to enhance its AML management system, pinpointed potential issues across various products, and advanced refined management practices. After meticulously reviewing all its product portfolios, the Bank has tightly integrated money laundering risk management with other corporate governance requirements. It has systemically investigated potential issues across different types of business activities and addressed a number of recurring issues found among products with similar characteristics, thereby mitigating the recurrence of AML deficiencies. Regarding specific mechanisms, the Bank has further fortified the pre-transaction and interim management of money laundering risks. It has implemented measures to obstruct the transfer of illicit funds during transactions, thereby enhancing the efficiency of risk prevention and control. During the reporting period, it refined its interim interception mechanism for abnormal transactions, and halted operations that deviated significantly from normal business scenarios to safeguard customers’ funds. Through these initiatives, the Bank has cracked down on money laundering and other illicit activities, preempted or intercepted major violations, effectively safeguarded the financial interests of the Chinese people, and upheld financial stability and national security.

#### **3.13.7.4 Legal risk**

The Bank has made comprehensive strides in law-based corporate governance, continuously enhanced the working mechanism of the Chief Legal Advisor, and fostered deep integration of the rule of law into its operational and managerial activities. During the reporting period, the Bank further refined its management policies and systems, ensured proper legal reviews, identified risk points in business operations, and embedded relevant policies, processes, and systems into its day-to-day operations. The Bank bolstered its handling of litigation cases and dispute management, promoted diverse dispute resolution methods, and strengthened financial consumer protection and complaint resolution capabilities. It established an integrated legal compliance system incorporating modules such as contracts, litigation cases, lawyers, and intellectual property rights (IPRs), thereby digitally transforming its legal management practices. It coordinated the development of an internal legal team and engaged external legal experts, and leveraged both internal and external legal resources to elevate the caliber of legal work. Moreover, the Bank actively conducted public education campaigns on the rule of law, enhanced legal compliance awareness across its entire workforce, and fulfilled its responsibilities in legal outreach and education.

#### **3.13.7.5 IT risk**

The Bank persisted in enhancing its IT risk management system, submitted a comprehensive IT risk assessment report to the Senior Management, and assessed or evaluated outsourcing risk, data security risk, and business continuity management. Moreover, it continued to conduct IT risk monitoring, and promptly issued risk alerts in response to both internal and external events as well as risk monitoring results.

#### **3.13.7.6 Business continuity management**

The Bank continuously strengthened business continuity management. By identifying each important business and the key resources it relied on, optimizing business continuity strategies, improving business continuity plans, building backup information systems and

business sites with intensified efforts, and conducting drills, it boosted the ability to prevent and dispose of business interruption risks and ensured the stable operation of all important businesses.

#### **3.13.7.7 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. During a period marked by escalating strategic risks in the external environment and unprecedented challenges facing the banking industry, the Bank found itself in a critical phase of transformation and development. In response, the Bank’s strategic mindset demonstrated adaptability to changing circumstances, aligning closely with national strategies and policies. This was accompanied by a notable increase in the strength of strategy execution and the Bank’s ability to manage strategic risks effectively. As a result, the Bank maintained its strategic risk at a stable and manageable level.

#### **3.13.7.8 Reputational risk**

The Bank diligently adhered to various regulatory requirements, and ensured that each unit fulfilled its primary responsibility for managing reputational risk effectively. It evaluated the practices of reputational risk management, and consistently refined relevant policies. Additionally, the Bank actively organized reputational risk screenings, training sessions, and drills, while intensifying public opinion management during critical junctures. Meanwhile, the Bank digitized its reputational risk management process, thereby enhancing the quality and efficiency of the entire process. Furthermore, leveraging the power of new media, it communicated the “SPDB story” of its commitment to serving the real economy and enhancing people’s well-being, thereby amplifying positive publicity to bolster its influence.

#### **3.13.7.9 Country risk**

During the reporting period, the world witnessed frequent geopolitical conflicts and unexpected “black swan” events, contributing to the continual escalation of country risk. To bolster its resilience against country risk, the Bank took proactive measures. It implemented stringent country risk limits to provide guidance on cross-border operations. It improved the effectiveness of country risk monitoring and early warning systems, and enhanced its ability to respond swiftly to external emergencies. It conducted special investigations in key country risk areas, carried out specialized stress tests on country risk, and formulated contingency plans to fortify the foundation of country risk management and elevate its risk management capabilities. As at the end of the reporting period, the Bank’s exposure to country risk was prudently distributed and remained stably manageable on the whole.

#### **3.13.7.10 Off-balance-sheet business risk management**

During the reporting period, the Bank actively adhered to the requirements outlined in the Measures for Management of Off-balance-sheet Business Risks of Commercial Banks, and comprehensively enhanced the management of risks associated with off-balance-sheet businesses. Firstly, it developed and released the Measures for Management of Off-balance-sheet Business Risks of Shanghai Pudong Development Bank, established unified protocols for managing off-balance-sheet business risks, and delineated specific risk management responsibilities for each relevant department. Secondly, the Bank established a



comprehensive and unified risk management framework for off-balance-sheet businesses. It integrated guarantee and commitment categories of off-balance-sheet businesses into the scope of unified credit management and incorporated associated risks into its comprehensive risk management system, ensuring comprehensive coverage throughout the entire process. Thirdly, the Bank refined its risk management mechanisms by promptly identifying, measuring, assessing, and monitoring risks stemming from off-balance-sheet businesses, and regularly reported identified risks and corresponding management strategies to both the Senior Management and regulatory authorities. Fourthly, leveraging the capabilities of modern technology, the Bank utilized various methods, including training sessions and publicity initiatives, to assist branches and sub-branches in effectively managing off-balance-sheet business risks. Additionally, it upgraded systems to enhance the digital and intelligent aspects of off-balance-sheet business risk management.

### **3.14 Significant Impacts on Commercial Banks' Operations and Profitability**

First, the market-oriented interest rate reform continued to deepen, leading to a significant drop in the comprehensive cost of aggregate financing. Since the beginning of 2023, the PBC has steadily unleashed benefits of the LPR reform and leveraged the market-based deposit rate adjustment mechanism. While ensuring banks' sustained support for the real economy and manageable risks, the central bank has gradually enhanced the LPR formation regime, and urged quoting banks to improve the quality of their quotations. This has contributed to a steady decline in effective lending rates, thereby facilitating financial support for the real economy. Simultaneously, the PBC directed members of the interest rate self-disciplinary mechanism to adjust deposit interest rates reasonably in response to market interest rate changes, further promoting market-oriented adjustments of deposit rates. Major banks responded by lowering deposit interest rates three times, with particularly significant reductions in medium and long-term deposits, driven by faster growth in residents' savings deposits and notable declines in lending 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 continued to progress, commercial banks were tasked with further analyzing and forecasting interest rate movements, enhancing risk awareness, and constructing a science-based interest rate management framework. Additionally, they were encouraged to optimize deposit structures, maintain interest rate spread at reasonable levels, expand fee-based business scope, and enhance revenue growth capabilities.

Second, the market-based RMB exchange rate reform was further pressed forward. Throughout 2023, the monetary policies of major developed economies underwent continuous adjustments, leading to fluctuations in the international financial market due to various risk events. Despite this volatility, cross-border capital flows and foreign exchange supply and demand remained relatively balanced. Market expectations generally remained stable, and the RMB exchange rate exhibited fluctuations in both directions, reflecting increased resilience. The PBC continued to push forward the market-based interest rate reform, and refined the floating exchange rate regime built on the basis of market supply and demand and managed with reference to the currency basket. Guiding both enterprises and financial institutions to be risk-neutral, it applied comprehensive measures, corrected deviations, and stabilized expectations. It took firm actions to correct pro-cyclical market

behaviors, prevented risks arising from exchange rate overshooting, and guarded against expectations from becoming unanimously one-sided and self-reinforced so as to keep the RMB exchange rate basically stable at an adaptive and equilibrium level. The PBC gave play to the role of the exchange rate as an auto stabilizer and a shock absorber for macroeconomic management and for the balance of payments. Against the ever-changing global economic environment, 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, the top-level design for green finance and fundamental institutional support were gradually improved. Currently, China's green finance framework has yielded tangible outcomes, forming a multi-tiered and diversified green finance market anchored by green loans and green bonds. This market framework serves as a robust driver for advancing green and low-carbon development of the real economy. Since 2023, the PBC has intensified efforts in bolstering the disclosure of environmental information, enhancing the policy incentives and constraints system, and conducting stress tests on climate risk. It has also refined green finance standards and reinforced the foundation for both green finance and transition finance. Moreover, it has heightened requirements for carbon accounting and environmental information disclosure, while enhancing monetary policy support for green and low-carbon development. Furthermore, the PBC has extended special relending tools to promote the clean and efficient utilization of coal until the end of 2023. Additionally, it has prolonged credit facilities supporting carbon emission reduction until the end of 2024. These measures will enable commercial banks to continuously enrich their suite of green finance products and services, contribute to the holistic advancement of green finance and transition finance, and facilitate the green and low-carbon transformation of the Chinese economy and society.

### **3.15 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.

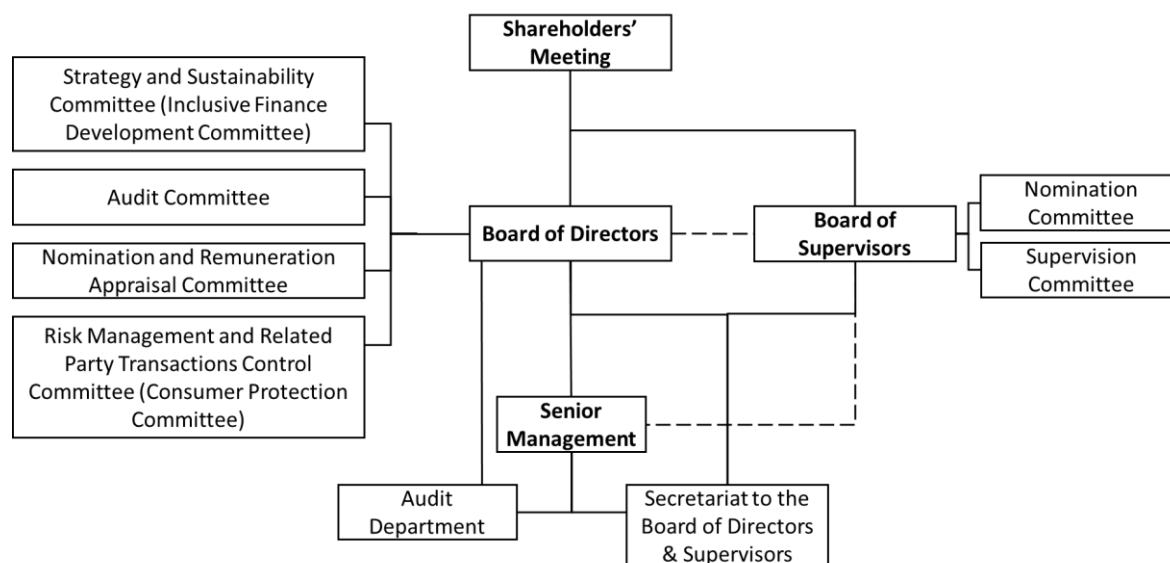
On 12 July 2019, the Bank finished issuing the 2019 Undated Additional Tier 1 Capital Bonds of Shanghai Pudong Development Bank Co., Ltd. in RMB30 billion in the national interbank bond market, and after the issuing cost was deducted, the funds actually raised were RMB29.996 billion.

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 (stock 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.

## Section IV Corporate Governance

### Corporate Governance Structure



#### 4.1 Basic Situation of Corporate Governance

During the reporting period, the Bank earnestly studied and implemented the guiding principles of the 20th CPC National Congress, Central Economic Work Conference, and Central Financial Work Conference to modernize its corporate governance system and ability. It further promoted the closed integration of the Party organization with corporate governance, effectively making sure that the Party Committee could “steer the way forward, manage the overall situation, and guarantee the implementation”. 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 with the scope of respective responsibility, coordinated operation and effective checks and balances, and safeguard the legitimate rights and interests of stakeholders.

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

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.

| Aspect of independence                   | 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' 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 two shareholders' meetings. By standardizing the convening of shareholders' meetings, the Bank safeguarded shareholders' rights to know, participate in, and vote on significant matters, and ensured that all shareholders held equal status and could exercise their rights fully.

**The 2022 Annual General Meeting of the Bank** considered and adopted nine proposals, including the 2022 Work Report by the Board of Directors of the Bank, the 2022 Work Report by the Board of Supervisors of the Bank, the 2022 Final Accounts and 2023 Financial Budget Report, the 2022 Profit Distribution Plan of the Bank, the Proposal on the Renewal of the Bank's Accounting Firm for 2023, the Proposal on the Election of Independent Directors of the Bank, the Proposal on the Remuneration of Senior Management Members for 2021 and 2022, the Proposal on the Capital Management Plan for 2023-2027, and the Proposal on the Capital Bond Issuance Plan and Related Authorization. Meanwhile, it reviewed four reports, namely the Report of the Bank on the Assessment of Substantial Shareholders for 2022, the Work Report by Independent Directors for 2022, the Report of the Board of Supervisors of the Bank on the Performance of Duties by Directors, Supervisors, and Senior Management for 2022, and the Report of the Bank on Related Party Transactions for 2022.

**The 2023 First Extraordinary General Meeting of the Bank** considered and adopted a proposal on the election of directors.

| Shareholders' Meeting                    | Date             | Website designated for publishing the resolutions         | Disclosure date of the resolutions |
|------------------------------------------|------------------|-----------------------------------------------------------|------------------------------------|
| 2022 Annual General Meeting              | 28 June 2023     | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> | 29 June 2023                       |
| 2023 First Extraordinary General Meeting | 17 November 2023 | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> | 18 November 2023                   |

#### 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 10 directors, including two 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 18 meetings, adopted 91 resolutions, and reviewed 39 special reports.

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 40 meetings. Of these, the Strategy and Sustainability Committee (Inclusive Finance Development Committee) held 10 meetings, the Audit Committee held eight meetings, the Nomination and Remuneration Appraisal Committee held nine meetings, and the Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee) held 13 meetings. A total of 95 resolutions were made and 40 reports were reviewed at these meetings.

Leveraging 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 decisions on corporate governance, strategic planning, capital management, risk management, compliance & internal control management, profit distribution, internal and external auditing, asset disposal, incentives and constraints. They worked toward ensuring that the Bank can obey laws, regulations, regulatory requirements and the Articles of Association, and effectively protecting the legitimate rights and interests of shareholders, depositors, and other stakeholders.

#### **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; assessing the scientificity, reasonableness, and robustness of the development strategy formulated by the Board of Directors; supervising, inspecting, and urging rectifications concerning 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 the selection and appointment procedures for directors; supervising and evaluating the performance of duties by the Board of Directors and its members, the Senior Management and its members, as well as 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. The Board of Supervisors of the Bank organized and held 17 meetings



to consider 81 proposals and review 39 reports. These meetings necessitated the attendance of 153 persons, of which 152 were present in person, representing an attendance rate of 99.35%. This was in line with the regulatory requirements and the Articles of Association of the Bank. Meanwhile, the Supervision Committee and the Nomination Committee, two special committees of the Board of Supervisors, held 13 meetings, as which 31 proposals were considered and two reports were reviewed. The Board of Supervisors of the Bank surveyed 28 primary-level institutions and management departments of the Head Office, organized two inspections of directors and supervisors, and held a total of 17 themed meetings.

During the reporting period, the Board of Supervisors of the Bank submitted or presented to the NFRA, Shanghai SASAC, and the Shareholders' Meeting of the Bank a number of reports, including the Report on the Evaluation of the Performance of Duties by Directors, Supervisors, and Senior Management in 2022, the Supervision Evaluation Report in 2022, the 2022 Annual Work Report by the Board of Supervisors, and the Report on Carrying out the Special Inspection of Rectifications Made upon the Approval of 2022 Annual Final Accounts.

#### **4.3.4 Senior Management**

As at the end of the reporting period, the Bank's Senior Management had four Vice Presidents, one of whom presided over the Bank's operations. The Chief Risk Officer (CRO), the Chief Legal Advisor (CLA), and the Secretary of the Board of Directors (Board Secretary) were concurrently held by Vice Presidents.

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.

The Senior Management has observed the principle of good faith and prudently and diligently exercised its duties within its range of authority. During the reporting period, amidst challenging internal and external circumstances, the Senior Management of the Bank thoroughly implemented the decisions and plans of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee, and the Shanghai Municipal People's Government, in addition to regulatory requirements. It also worked to implement decisions made by the Board of Directors, advance business restructuring initiatives, and intensify risk prevention and mitigation efforts. As a result, the Bank's operation and development exhibited a trajectory of steady improvement.

#### **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, 79 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 continuously



disclosed annual and interim preliminary earnings estimates, respecting and safeguarding investors' rights to obtain timely and fair information on its operations. In its periodic reports, the Bank proactively strengthened strategic promotion efforts, focused on enhancing the readability of these reports, and helped investors understand its strategic optimization results, protecting 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 Information of the Directors, Supervisors, and Senior Management Members

##### 4.5.1 Changes to shareholding and remuneration of directors, supervisors and Senior Management members of the Bank who were incumbent or left office during the reporting period

| Name           | Position                                | Gender | Year of birth | Tenure                               | Number of shares changed in the reporting period (in 10,000) | Number of shares held as at the end of the year (in 10,000) | Remuneration (before-tax) received from the Bank during the reporting period (in RMB10,000) | Whether received remuneration from related parties |
|----------------|-----------------------------------------|--------|---------------|--------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------|
| Zhang Weizhong | Chairman, Executive Director            | Male   | 1967          | 17 November 2023 – the end of tenure | -                                                            | -                                                           | 21.42                                                                                       | No                                                 |
| Liu Yiyang     | Executive Director, Vice President, CRO | Male   | 1964          | 16 December 2019 – the end of tenure | -                                                            | 23.59                                                       | 88.40                                                                                       | No                                                 |
| Zhao Wanbing   | Employee Director                       | Male   | 1970          | 14 November 2023 – the end of tenure | -                                                            | -                                                           | 19.28                                                                                       | No                                                 |
| Guan Wei       | Non-executive Director                  | Female | 1971          | 16 December 2019 – the end of tenure | -                                                            | -                                                           | -                                                                                           | Yes                                                |

|               |                                                           |        |      |                                      |   |   |       |     |
|---------------|-----------------------------------------------------------|--------|------|--------------------------------------|---|---|-------|-----|
| Bo Jingang    | Non-executive Director                                    | Male   | 1964 | 17 June 2022 – the end of tenure     | - | - | -     | Yes |
| Zhu Yi        | Non-executive Director                                    | Male   | 1964 | 17 June 2022 – the end of tenure     | - | - | -     | Yes |
| Wang Zhe      | Independent Director                                      | Male   | 1960 | 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  |
| Sun Lijian    | Independent Director                                      | Male   | 1962 | 17 June 2022 – the end of tenure     | - | - | 28.42 | No  |
| Ye Jianfang   | Independent Director                                      | Female | 1966 | 17 June 2022 – the end of tenure     | - | - | 18.67 | 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               | - | - | -     | Yes |

|                  |                           |      |      |                                                  |   |   |        |     |
|------------------|---------------------------|------|------|--------------------------------------------------|---|---|--------|-----|
|                  |                           |      |      | end of<br>tenure                                 |   |   |        |     |
| Cao Yijian       | Shareholder<br>Supervisor | Male | 1976 | 16<br>December<br>2019 – the<br>end of<br>tenure | - | - | -      | Yes |
| Li Qingfeng      | Shareholder<br>Supervisor | Male | 1971 | 16<br>December<br>2019 – the<br>end of<br>tenure | - | - | -      | Yes |
| Wu Jian          | External<br>Supervisor    | Male | 1968 | 16<br>December<br>2019 – the<br>end of<br>tenure | - | - | 28.00  | No  |
| Wang<br>Yuetang  | External<br>Supervisor    | Male | 1963 | 16<br>December<br>2019 – the<br>end of<br>tenure | - | - | 28.00  | No  |
| Zhang<br>Baoquan | Employee<br>Supervisor    | Male | 1965 | 29<br>December<br>2020 – the<br>end of<br>tenure | - | - | 288.98 | No  |
| He Weihai        | Employee<br>Supervisor    | Male | 1967 | 16<br>December<br>2019 – the<br>end of<br>tenure | - | - | 290.32 | No  |
| Zhang<br>Yong    | Employee<br>Supervisor    | Male | 1972 | 28<br>December<br>2023 – the<br>end of<br>tenure | - | - | 314.62 | No  |

|                |                                                                  |      |      |                                       |   |       |       |     |
|----------------|------------------------------------------------------------------|------|------|---------------------------------------|---|-------|-------|-----|
| Jiang Fangping | Head of Discipline Inspection and Supervision Office at SPD Bank | Male | 1966 | Since August 2019                     | - | -     | 92.42 | 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  |
| Kang Jie       | Vice President                                                   | Male | 1979 | 08 September 2023 – the end of tenure | - | -     | 22.10 | No  |
| Zheng Yang     | Former Chairman, Executive Director                              | Male | 1966 | 16 December 2019 – 07 September 2023  | - | -     | 78.38 | No  |
| Pan Weidong    | Former Vice Chairman, Executive Director, President              | Male | 1966 | 16 December 2019 – 07 September 2023  | - | 40.00 | 78.00 | No  |
| Chen Zheng'an  | Former Executive Director                                        | Male | 1963 | 16 December 2019 – 05 March 2024      | - | -     | 95.63 | No  |
| Zhang Dong     | Former Non-executive Director                                    | Male | 1969 | 16 December                           | - | -     | -     | Yes |

|                                                                       |                                      |      |      |                                                 |   |       |          |     |
|-----------------------------------------------------------------------|--------------------------------------|------|------|-------------------------------------------------|---|-------|----------|-----|
|                                                                       |                                      |      |      | 2019 – 15<br>May 2023                           |   |       |          |     |
| Dong<br>Guilin                                                        | Former Non-<br>executive<br>Director | Male | 1963 | 30<br>December<br>2020 – 28<br>July 2023        | - | -     | -        | Yes |
| Yuan<br>Zhigang                                                       | Former<br>Independent<br>Director    | Male | 1958 | 16<br>December<br>2019 – 20<br>January<br>2023  | - | -     | 2.58     | No  |
| Zhang<br>Ming                                                         | Former<br>Independent<br>Director    | Male | 1958 | 16<br>December<br>2019 – 13<br>April 2023       | - | -     | 9.33     | No  |
| Wang<br>Xinhao                                                        | Former Vice<br>President,<br>CFO     | Male | 1967 | 16<br>December<br>2019 – 18<br>January<br>2023  | - | 23.10 | 7.37     | No  |
| Li<br>Guangming                                                       | Former<br>Employee<br>Supervisor     | Male | 1963 | 29<br>December<br>2020 – 28<br>December<br>2023 |   | -     | 127.70   | No  |
| Total remuneration received from the Bank during the reporting period |                                      |      |      |                                                 |   |       | 1,894.22 |     |

Notes:

(1) In January 2023, the Bank received the resignation of Mr. Wang Xinhao, Vice President and CFO. His resignation became effective on the date it was delivered to the Board of Directors.

(2) In January 2023, the Bank received the Reply from the CBIRC on Approving the Qualifications of Sun Lijian at 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.

(3) In March 2023, the Bank received the Reply from the CBIRC on Approving the Qualifications of Bo Jingang at Shanghai Pudong Development Bank, according to which Mr. Bo Jingang was approved to serve as a Director of the Bank.

(4) In April 2023, the Bank received the Reply from the CBIRC on Approving the Qualifications of Ye Jianfang at 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.

(5) In May 2023, the Bank received the Reply from the CBIRC on Approving the Qualifications of Zhu Yi at Shanghai Pudong Development Bank, according to which Mr. Zhu Yi was approved to serve as a Director of the Bank. As of the date when Mr. Zhu Yi starts to assume his duties as a Director, Mr. Zhang Dong, the director originally nominated by China Mobile Communications Group Guangdong Limited, will cease to be a Director of the Bank and a member of the Audit Committee of the Board of Directors due to job transfer.

(6) In July 2023, the Bank received the resignation of Mr. Dong Guilin, a Director, who ceased to be a Director of the Bank and a member of the Strategy and Sustainability Committee (Inclusive Finance Development Committee) of the Board of Directors.

(7) In September 2023, the Bank received the resignation of Mr. Zheng Yang, Chairman and Executive Director, and the resignation of Mr. Pan Weidong, Vice Chairman, Executive Director, and President. Their resignations became effective on the date the resignations were delivered to the Board of Directors.

(8) In September 2023, the Board of Directors of the Bank considered and adopted the Proposal on the Appointment of a Vice President, agreeing to appoint Mr. Kang Jie as Vice President of the Bank. In March 2024, Mr. Kang Jie's qualifications for serving as Vice President of the Bank were approved by the NFRA, and he has formally assumed his duties.

(9) In November 2023, the 2023 First Extraordinary General Meeting of the Bank considered and adopted the Proposal on Electing Zhang Weizhong as a Director. In February 2024, Mr. Zhang Weizhong's qualifications for serving as Chairman and Director of the Bank were approved by the NFRA, and he has formally assumed his duties.

(10) In November 2023, the Fourth Meeting of the Third Employee Representatives' Assembly of the Bank considered and elected Mr. Zhao Wanbing as an Employee Director of the Bank. In February 2024, Mr. Zhao Wanbing's qualifications for serving as a Director of the Bank were approved by the NFRA, and he has formally assumed his duties.

(11) In December 2023, the Bank received the resignation of Mr. Li Guangming, Employee Supervisor. His resignation became effective on the date it was delivered to the Board of Supervisors. Mr. Zhang Yong was elected as an Employee Supervisor of the Bank at the Fifth Meeting of the Third Employee Representatives' Assembly of the Bank.

(12) As at the end of the reporting period, the off-office audit of Liu Xinyi, a proposed director of the Bank, was underway and was yet to be declared to the regulatory authority for approval of his qualifications to serve as a director of the Bank.

(13) In June 2023, Mr. Wei Xianhua was elected as an Independent Director of the Bank at the Shareholders' Meeting of the Bank. He will assume his duties upon the approval of his qualifications.

(14) Since the term of office of the Seventh Board of Directors and Board of Supervisors of the Bank has expired, the Bank is currently advancing the re-election process.

(15) As the appraisal of the directors, supervisors, and Senior Management members who receive compensation from the Bank has not been completed, the remuneration for the reporting period has not yet included the remuneration verified to be paid. The final remuneration for the year 2023 will be contingent upon the confirmation of the appraisal. Any changes will be disclosed separately.

(16) The pre-tax remuneration received by Mr. Zheng Yang, Mr. Chen Zheng'an, and Mr. Jiang Fangping from the Bank during the reporting period included their incentive income for the period 2019-2021 as appraised.

#### **4.5.2 Main work experience and service information of directors, supervisors and Senior Management members**

##### **4.5.2.1 Directors**

Zhang Weizhong, male, born in 1967, has a Master's degree. He previously served as General Manager of Development Zone Branch of Dalian Branch of China Construction Bank (CCB), Chief Auditor & Director of CCB Inner Mongolia General Audit Office, Discipline Inspection Committee Secretary, Deputy General Manager, and Party Committee Member of CCB Hubei Branch, General Manager of CCB Inclusive Finance Division (Small Business Department), and Director of Corporate Banking at CCB. He is currently Party Committee Secretary and Chairman of SPD Bank.

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

Zhao Wanbing, male, born in 1970, has an MBA. He previously served as Deputy Director of the Research Office at the Shanghai Municipal Committee of the Communist Youth League of China (CYLC), Head of the Organization Division (Publicity Division and United Front Work Division) at the Shanghai Financial Work Committee of the CPC, Head of the Financial Stability Division at the Shanghai Municipal Finance Office, Deputy Director of the Shanghai Municipal Finance Office, and Deputy Director General of Shanghai Municipal Financial Regulatory Bureau (Shanghai Municipal Finance Bureau). He is currently Deputy Party Committee Secretary, Employee Director, and Chairman of the Labor Union Committee at SPD Bank.

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.

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 Group 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.

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 Director of China Mobile State Innovation Investment Management Co., Ltd.

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, Independent Director of Allinpay Network Services Co., Ltd., Independent Director of Shanghai Rural Commercial Bank Co., Ltd., and Independent Director of Boill Healthcare 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 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., Chairman of the Board of Supervisors of Keboda Technology Co., Ltd., and Independent Director of Bank of Nanjing 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, Professor of the School of Economics, and Doctoral Supervisor 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, and Executive Director of the Chinese Association of Quantitative Economics.

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 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 Shanghai Chlor-Alkali Chemical Co., Ltd., Independent Director of Shanghai New Power Automotive Technology Company Limited, Independent Director of Shanghai AJ Trust Co., Ltd., and External Supervisor of Bank of Suzhou Co., Ltd.

#### **4.5.2.2 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, Party Committee Secretary and Chairman of Shanghai Jiulian Group Limited (concurrently General Manager of Shanghai Petroleum Exchange), and Chairman of Shanghai Gas (Group) Co., Ltd. He currently works as Party Committee Secretary and Chairman of Shanghai Shenergy Nengchuang Energy Development 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 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 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, Visiting Scholar to Cornell University, and Dean of Nanjing University Business School. He currently works as 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 Nanjing Central Emporium (Group) Stocks Co., Ltd., Independent Director of Zhuhai Huafa Industrial Share Co., Ltd., Independent Director of Jiangsu Suning Bank Co., Ltd., and Independent Director of Baosheng Science and Technology Innovation Co., Ltd.

Zhang Baoquan, male, born in 1965, 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, and Director of Risk Operations and

General Manager of the Risk Management Department at SPD Bank Head Office. He currently works as Employee Supervisor of 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, Party Committee Secretary and General Manager of SPD Bank Nanjing Branch, and General Manager of the Asset Management Department at SPD Bank Head Office. He currently works as Employee Supervisor of SPD Bank and Party Committee Secretary of SPDB Wealth Management Co., Ltd.

Zhang Yong, male, born in 1972, has a Master's degree. He previously served as General Manager of Corporate Banking Department I at SPD Bank Tianjin Branch and Director of Binhai New Area Business Department (concurrently Executive Deputy General Manager of Direct Equity Fund Business Department at SPD Bank Head Office); Party Committee Member and Deputy General Manager of SPD Bank Tianjin Branch; Deputy Party Committee Secretary and Deputy General Manager of SPD Bank Tianjin Branch (in overall charge); Party Committee Secretary and General Manager of SPD Bank Tianjin Branch; and Party Committee Secretary and General Manager of SPD Bank Qingdao Branch. Currently, he is an Employee Supervisor of SPD Bank as well as Party Committee Secretary and General Manager of SPD Bank Beijing Branch.

#### **4.5.2.3 Senior Management members**

Liu Yiyan, 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.

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, General Manager of SPD Bank Financial Markets Department, and Director of Financial Market Business at SPD Bank Head Office. He currently works as Party Committee Member, Vice President and Secretary to the Board of SPD Bank, and Chairman of AXA SPDB Investment Managers Co., Ltd.

Kang Jie, male, born in 1979, has a Bachelor's degree. He previously served as Chief of Cadre Management Section at Human Resources Department of Shanghai Rural Commercial Bank (SHRCB), Deputy Secretary and Secretary of CCYL SHRCB Committee, Deputy General Manager of SHRCB Qingpu Sub-branch, Deputy General Manager of SHRCB Huangpu Sub-branch (in overall charge), and General Manager of SHRCB Huangpu Branch, Vice President of SHRCB, and Party Committee Member and Deputy Director of Shanghai SASAC. Currently, he is Vice President of SPD Bank.

#### 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                |
| Sun Wei    | Bailian Group Co., Ltd.                     | Vice President                                       | 6 April 2016                 |
| Cao Yijian | Shanghai Jiushi (Group) Co., Ltd.           | General Manager of Investment Development Department | 4 April 2018                 |
|            | Shanghai Sitico Assets Management Co., Ltd. | Director                                             | 4 September 2021             |

#### 4.7 Overview of Service in Other Entities

| Name       | Name of entity                                                | Position                            |
|------------|---------------------------------------------------------------|-------------------------------------|
| Liu Yiyan  | SPDB Financial Leasing Co., Ltd.                              | Chairman                            |
| Guan Wei   | Shanghai State-owned Assets Operation Co., Ltd.               | Chairman                            |
|            | Guotai Junan Securities Co., Ltd.                             | Director                            |
|            | Shanghai Guosheng Capital Management Co., Ltd.                | Director                            |
| Bo Jingang | China Mobile IoT Company Limited                              | External Director                   |
|            | China Mobile Financial Technology Co., Ltd.                   | External Director                   |
| Zhu Yi     | China Mobile Financial Company Limited                        | Chairman, Party Committee Secretary |
|            | China Mobile State Innovation Investment Management 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                 |
|            | Shanghai Rural Commercial Bank Co., Ltd.                      | Independent Director                |
|            | Allinpay Network Services Co., Ltd.                           | Independent Director                |
|            | Boill Healthcare Holdings Limited                             | Independent Director                |
| Henry Cai  | AGIC Capital                                                  | Chairman, co-founder                |
|            | China Eastern Airlines Co., Ltd.                              | 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 and Doctoral Supervisor                                       |
|             | Orient Securities Co., Ltd.                                 | Independent Director                                                    |
|             | Keboda Technology Co., Ltd.                                 | Chairman of the board of supervisors                                    |
|             | Bank of Nanjing Co., Ltd.                                   | Independent Director                                                    |
| Sun Lijian  | Fudan University                                            | Professor and Doctoral Supervisor                                       |
| Ye Jianfang | Shanghai University of Finance and Economics                | Professor and Doctoral Supervisor                                       |
|             | Bank of Suzhou Co., Ltd.                                    | External Supervisor                                                     |
|             | Shanghai New Power Automotive Technology Company Limited    | Independent Director                                                    |
|             | Shanghai Chlor-Alkali Chemical Co., Ltd.                    | Independent Director                                                    |
|             | Shanghai AJ Trust 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                                                                |
| Cao Yijian  | Haitong Securities Co., Ltd.                                | Supervisor                                                              |
| Li Qingfeng | Shanghai Shenergy Nengchuang Energy Development Co., Ltd.   | Party Committee Secretary, Chairman                                     |
| Wu Jian     | Duan & Duan                                                 | Chairman of the Global Board of Directors, Chairman of Joint Conference |
|             | INESA (Group) Co., Ltd.                                     | Director                                                                |
|             | YEIG (Shanghai) Energy Development Co., Ltd.                | Director                                                                |

|              |                                                      |                         |
|--------------|------------------------------------------------------|-------------------------|
| Wang Yuetang | Shanghai Waigaoqiao Free Trade Zone Group Co., Ltd.  | Independent Director    |
|              | West Shanghai Automotive Service Co., Ltd.           | Independent Director    |
|              | Nanjing University                                   | Professor in Accounting |
|              | Zhuhai Huafa Industrial Share Co., Ltd.              | Independent Director    |
|              | Nanjing Central Emporium (Group) Stocks Co., Ltd.    | Independent Director    |
|              | Jiangsu Suning Bank Co., Ltd.                        | Independent Director    |
|              | Baosheng Science and Technology Innovation 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 | <p>The remuneration of the Bank's shareholder directors and shareholder supervisors shall be determined by the shareholder units that appoint them.</p> <p>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.</p> <p>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</p> |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                       | incorporate the design and implementation of remuneration policies into the auditing scope.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Whether directors recuse themselves from the Board of Directors' discussion on their remuneration                                                                                                                                                     | Directors are not involved in the process of evaluating their performance of duties and determining their remuneration. In line with this practice, the directors of the Bank recused themselves from voting on their remuneration during the consideration of the Proposal on the Remuneration of Senior Management Members for 2022.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Specific circumstances under which the remuneration and appraisal committee or the specialized meeting of independent directors issue recommendations on matters relating to the remuneration of directors, supervisors and senior management members | On 17 April 2023, the Fifteenth Meeting of the Nomination and Remuneration Appraisal Committee of the Seventh Board of Directors was convened to consider and adopt the Proposal on the Remuneration of Senior Management Members for 2022. The meeting confirmed that the remuneration for Senior Management members complied with relevant regulations and the established remuneration policy for professional managers and recommended improving the incentive and constraint mechanism within the Bank.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Basis for the remuneration of directors, supervisors and Senior Management members                                                                                                                                                                    | The directors, supervisors, and Senior Management members who are paid by the Bank shall be included in the corresponding remuneration management policies. The remuneration for Chairman (Legal Representative) shall be appraised and decided by the superior authority based on the assessment results. The remuneration for other bank leaders shall be subject to the remuneration distribution plan of the Bank approved by the Board of Directors and its Nomination and Remuneration Appraisal Committee. Specifically, the remuneration for 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; the remuneration for professional managers shall be subject to the Appraisal and Remuneration Measures for Professional Managers of Shanghai Pudong Development Bank Co., Ltd; and the remuneration for employee supervisors shall be included in the Bank's employee remuneration system, which is implemented in accordance with the Remuneration Management Measures of Shanghai Pudong Development Bank and other relevant policies. |
| Remuneration payable to directors, supervisors and                                                                                                                                                                                                    | The appraisal for directors, supervisors and Senior Management members who are paid by the Bank has not                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |



|                                                                                                                                        |                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Senior Management members                                                                                                              | 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 RMB18,942,200. |

## 4.9 Performance of Duties by Directors and the Board of Directors

### 4.9.1 Attendance of directors at Board meetings

#### Overview of attendance at Board meetings

| Director name                                   | Independent Director Y/N | Number of required attendance times at Board 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 | Number of attendance times at shareholders' meetings |
|-------------------------------------------------|--------------------------|-------------------------------------------------------|--------------------------------------|----------------------------------------------------|-------------------------------------|-------------------------|-------------------------------------------------------|------------------------------------------------------|
| Liu Yiyan                                       | No                       | 18                                                    | 18                                   | 11                                                 | 0                                   | 0                       | No                                                    | 2                                                    |
| Chen Zheng'an                                   | No                       | 18                                                    | 18                                   | 11                                                 | 0                                   | 0                       | No                                                    | 2                                                    |
| Guan Wei                                        | No                       | 18                                                    | 18                                   | 11                                                 | 0                                   | 0                       | No                                                    | 2                                                    |
| Bo Jingang                                      | No                       | 16                                                    | 16                                   | 10                                                 | 0                                   | 0                       | No                                                    | 2                                                    |
| Zhu Yi                                          | No                       | 12                                                    | 11                                   | 8                                                  | 1                                   | 0                       | No                                                    | 2                                                    |
| Wang Zhe                                        | Yes                      | 18                                                    | 18                                   | 11                                                 | 0                                   | 0                       | No                                                    | 2                                                    |
| Henry Cai                                       | Yes                      | 18                                                    | 18                                   | 11                                                 | 0                                   | 0                       | No                                                    | 2                                                    |
| Wu Hong                                         | Yes                      | 18                                                    | 18                                   | 11                                                 | 0                                   | 0                       | No                                                    | 2                                                    |
| Sun Lijian                                      | Yes                      | 17                                                    | 17                                   | 11                                                 | 0                                   | 0                       | No                                                    | 2                                                    |
| Ye Jianfang                                     | Yes                      | 14                                                    | 14                                   | 9                                                  | 0                                   | 0                       | No                                                    | 2                                                    |
| Number of Board meetings held in the year       |                          |                                                       |                                      | 18                                                 |                                     |                         |                                                       |                                                      |
| Incl.: Number of onsite meetings                |                          |                                                       |                                      | 7                                                  |                                     |                         |                                                       |                                                      |
| Number of meetings held via written resolutions |                          |                                                       |                                      | 11                                                 |                                     |                         |                                                       |                                                      |

Number of meetings held onsite with attendance via written resolutions

0

#### **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 2023, the Board of Directors held 18 meetings, and the rate of attendance of independent directors in person reached 100%. The special committees of the Board of Directors held 40 meetings, and independent directors actively attended meetings of special committees, where they played a great role. Four meetings of independent directors were held during the reporting period, with five resolutions passed and one report reviewed, 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, 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 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).

##### **4.9.4.1 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 four directors, including Mr. Liu Yiyang, Ms. Guan Wei, Mr. Bo Jingang, and Mr. Sun Lijian.

During the reporting period, the Strategy and Sustainability Committee (Inclusive Finance Development Committee) held 10 meetings, at which it considered 21 proposals, including the Proposal on the Evaluation Report on the Implementation of the Medium-Term Strategy for the 14th Five-Year Plan, the Proposal on the Self-Assessment of Corporate Governance for 2022, the Proposal on the Amendment to the Working Rules for Independent Directors, the Proposal on the 2022 CSR Report, the Proposal on the Assessment of Substantial Shareholders and Other Major Shareholders for 2022, the Proposal on the Institution Setup Plan for 2023, the Proposal on the Recovery and Resolution Plan (Version 2023), the Proposal on the Distribution of Dividends on Preference Shares (Tranche I), the Proposal on the Distribution of Dividends on Preference Shares (Tranche II), the Proposal on the 2022 Work Summary and 2023 Work Priorities of the Information Technology Management Committee, the Proposal on the Capital Management Plan for 2023-2027, the Proposal on the Plan for Issuance of

Capital Bonds for the Next Three Years and Related Authorization, the Proposal on the Capital Adequacy Ratio Report for 2022, the Proposal on the Capital Adequacy Ratio Management Plan for 2022, the Proposal on the Capital Management Assessment Report for 2022, the Proposal on the Amendment to the Equity Investment Management Measures of the Group, the Proposal on the Asset and Liability Management Policy for 2023, the Proposal on the Liability Quality Management Assessment Report for 2022, and the Proposal on the Amendment to the Private Equity Investment Fund Management Measures of the Group. Meanwhile, it reviewed five reports, namely the Report on the Analysis of the Implementation of the Bank's Strategy for 2022, the Report on the 2022 Work Summary and 2023 Work Plan for Inclusive Finance, the Report on the Operation and Management of Major Investee Enterprises in 2022, the Report on the Implementation of Data Governance Practices in 2022, and the International Development Report for 2022.

#### **4.9.4.2 Nomination and Remuneration Appraisal Committee**

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

During the reporting period, the Nomination and Remuneration Appraisal Committee held nine meetings, at which it considered 18 proposals, including the Report on the Evaluation of Performance of Duties by Directors for 2022, the Work Report by Independent Directors for 2022, the Proposal on the Election of Chairman, the Proposal on the Appointment of a Vice President, the Proposal on Nominating Director Candidates, the Proposal on Adjusting Members of Special Committees of the Board of Directors, the Proposal on Remuneration of Senior Management Members for 2022, the Proposal on Implementation of Remuneration Distribution for 2022, the Proposal on the Rules Regarding Binding Matters for Senior Management Members, the Proposal on the Amendment to the Performance Appraisal and Remuneration Distribution Plan for Bank Leaders Appointed and Managed by the Organization, and the Proposal on the Applicable Standards for the Remuneration of New Senior Management Members.

#### **4.9.4.3 Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee)**

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

During the reporting period, the Risk Management and Related Party Transactions Control Committee (Consumer Protection Committee) held 13 meetings, at which it considered 39 proposals, including the Proposal on Group-wide Risk Appetite (2023), the Proposal on the Amendment to the Business Continuity Management Policy, the Proposal on the Amendment to the Employee Code of Conduct, the Proposal on the 2022 Legal Compliance Risk Management Report, the Proposal on Related Party Transactions in 2022, the Proposal on the Related Party Transaction with Shanghai Jiushi (Group) Co., Ltd., the Proposal on the Related Party Transaction with Shanghai International Group Co., Ltd., the Proposal on the Related Party Transaction with China Mobile Communications Group Co., Ltd., the Proposal on Authorizing the Write-off of Asset Losses in 2023, the Proposal on the Write-off of Asset Losses, the Proposal on the Report on Internal Capital Adequacy Assessment for 2022, the Proposal

on the 2022 Work Summary and 2023 Work Plan Concerning Consumer Protection, the Proposal on the 2022 Consolidated Management Report, the Proposal on the Off-Balance-sheet Business Risk Management Measures, the Proposal on the Measures for Managing Risk-based Classification of Financial Assets, the Proposal on Amendment to the Default Management Measures for Customer Credit Risks, and the Proposal on Update and Optimization of Impairment Measurement Models. Meanwhile, it reviewed 29 reports, including the Comprehensive Risk Management Report for 2022, the Report on the Implementation of Risk Appetite in 2022, the 2022 Legal Compliance Risk Management Report, the 2022 Work Report by the Chief Legal Advisor, the Report on Regulatory Briefings and Rectification Details for 2022, the Report on the Management of NPA Disposal, Write-off, and Liquidation in 2022, the Report on Matters Concerning Focus on Main Business and Reduction of the Organizational Levels, and the 2022 AML Work Report.

#### **4.9.4.4 Audit Committee**

As at the end of the reporting period, the Audit Committee of the Bank consisted of six directors, including Ms. Ye Jianfang (Chairwoman), Ms. Guan Wei, Mr. Zhu Yi, Mr. Wang Zhe, Mr. Wu Hong, and Mr. Sun Lijian.

During the reporting period, the Audit Committee convened eight meetings, at which it considered 17 proposals, including the Proposal on the 2022 Annual Report and Its Summary, the Proposal on the 2023 Q1 Report, the Proposal on the 2023 Interim Report and Its Summary, the Proposal on the 2023 Q3 Report, the Proposal on the 2022 Final Accounts and 2023 Financial Budget, the Proposal on Explanations for Financial Accounting Statements for 2022, the Proposal on Profit Distribution for 2022, the Proposal on the Internal Control Evaluation Report for 2022, the Proposal on the Renewal of the Accounting Firm, the Report on the Performance of Duties by the Audit Committee of the Board of Directors for 2022, the Report on the Evaluation of the Performance of duties by the Chief Audit Officer for 2022, the Proposal on the Disclosure of Global Systemically Important Bank Assessment Indicators for 2022, the Proposal on the 2023 Work Summary and 2024 Work Plan Concerning Internal Audits, the Proposal on Authorizing the Audit Department to Select and Appoint an Accounting Firm the External Auditor, the Proposal on Major Audit Findings and Rectification Details in 2022, and the Proposal on Relevant Special Audits and Rectification Details in 2022. Meanwhile, it reviewed six reports, including the 2022 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 during the reporting period.

During the reporting period, the Board of Supervisors of the Bank promoted development through supervision, and enhanced operational quality and efficiency. It promptly offered supervisory suggestions and urged the Senior Management to enhance operational effectiveness through intensified initiatives by adopting a problem-oriented approach. The suggestions and recommendations provided by the Board of Supervisors were taken seriously by the Senior Management. These included advancing the high-quality development of technology finance, intensifying primary-level research, accelerating improvement in operational quality and efficiency, furthering business expansion in the Guangdong-Hong Kong-Macao Greater Bay Area, and upholding the principle of business integrity.

During the reporting period, the Board of Supervisors held 17 periodic and extraordinary meetings, where it considered and adopted 81 proposals and reviewed 39 reports. The special committees of the Board of Supervisors hosted a total of 13 meetings, where they considered and adopted 31 proposals and reviewed two reports. It focused on considering a host of major operation and management matters concerning strategic plan implementation, capital management, periodic reports, risk management, asset loss write-off, and internal control compliance. Supervisors actively expressed their opinions and proposed initiatives in many domains. They suggested identifying gaps, analyzing causes, and implementing effective measures to safeguard the Bank's market position. They focused on enhancing capital management, continuously refining capital plans, enhancing the quality and efficiency of operational efforts, and better replenishing endogenous capital. The intensified efforts to dispose of and resolve NPAs, and safeguarded the Bank's rights and interests. Furthermore, they enhanced research on laws, regulations, and regulatory policies in the regions where overseas operating institutions were situated, and provided guidance for their compliant and prudent development. Rectification efforts were intensified to bolster operational compliance, and appraisal and incentive mechanisms were optimized to further motivate employees.

During the reporting period, the Bank's Board of Supervisors placed significant emphasis on outlet survey. It surveyed 28 primary-level institutions and management departments of the Head Office, organized two inspections by directors and supervisors, and held a total of 17 themed meetings. With these surveying efforts, the Board of Supervisors further understood the implementation of the Bank's strategies/decisions, risk compliance requirements, and regulatory opinions at 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, all of which were highly valued by the Senior Management.

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 annual performance of duties by directors, supervisors and Senior Management members and produced the Report on the Evaluation of Performance of Duties by Directors, Supervisors and the Senior Management Members in 2022. This report was subsequently submitted to the former CBIRC and presented to shareholders through the Shareholders' Meeting. It organized and carried out the annual supervisory evaluation of operation and management practices across the Bank, produced the Supervisory Evaluation Report of Shanghai Pudong Development Bank submitted to the superior authority, and presented the 2022 Work Report by the Board of Supervisors to the Annual General Meeting.

During the reporting period, the Board of Supervisors of the Bank paid ongoing attention to comprehensive risk management. It considered and reviewed a number of proposals and reports regarding risk management, including the Comprehensive Risk Management Report for 2022 and the Group-wide Risk Appetite for 2023, and oversaw the performance of duties by the Board of Directors and the Senior Management in liquidity risk, credit risk, reputational risk, concentration risk, stress testing, and other aspects. The Board of Supervisors closely tracked new material risks and changes in risk resolution and disposal, and promptly issued supervisory reminders and recommendations to the Bank.

During the reporting period, the Board of Supervisors of the Bank oversaw internal control compliance. It considered a number of proposals including the Internal Control Evaluation Report for 2022, and checked the compliance of the procedures through which the evaluation report was prepared and the objectivity of the evaluation results. It paid close attention to basic compliance management and continued to strengthen supervision over recurrent issues.

During the reporting period, the Board of Supervisors carried out financial supervision. It supervised operating results and financial position of the Bank, carefully considered periodic reports, and worked harder to oversee financial compliance and authenticity. It paid particular attention to the Bank's significant financial decisions, financial income and expense activities, and financial risk controls, and put forward recommendations such as increasing revenue, reducing expenditure, and strengthening expense management. It inspected the rectification of issues revealed in the approval of the annual final accounts, formed the Report on Carrying out the Special Inspection of Rectifications Made upon the Approval of 2022 Annual Final Accounts, and submitted the report to the superior authority.

During the reporting period, the Board of Supervisors of the Bank unified efforts from various parties to improve the supervision mechanism for better effectiveness. It enhanced communication with the external auditor, and ensured the accounting firm fulfilled its professional duties effectively. Additionally, it worked with a variety of internal supervisory forces, prioritized playing the role of employee supervisors, to safeguard the rights and interests of employees, and intensified guidance for subsidiaries to improve the performance of their boards of supervisors. Furthermore, it actively assumed the role of a facilitator to proactively coordinate collaborations with government organs, SOEs, and other influential market players, thereby contributing to regional economic and social development efforts.

#### **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 2023, the Board of Supervisors held 17 meetings and the rate of attendance of external supervisors in person reached 98.04%.

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 survey and tour inspection 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.

##### **4.10.2.1 Nomination Committee**

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

During the reporting period, the Nomination Committee held four meetings, at which it considered nine proposals, including the Report on the Evaluation of Performance of Duties by Directors in 2022, the Report on the Evaluation of Performance of Duties by Supervisors in 2022, the Report on the Evaluation of Performance of Duties by the Senior Management Members in 2022, the Proposal on the Remuneration of the Senior Management Members in 2022, and the Proposal on the Implementation of Remuneration Distribution in 2022.

##### **4.10.2.2 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 nine meetings, at which it considered 22 proposals, including the Proposal on the 2022 Annual Report and Its Summary and the 2022 Supervisory Evaluation Report. Besides, it also reviewed two reports, namely the 2022 Annual Capital Management Assessment Report and the 2022 Capital Adequacy Ratio Report.

#### **4.11 Information on Employees of the Parent Company and Main Subsidiaries**

##### **4.11.1 Information on employees**

|                                                  | Person |
|--------------------------------------------------|--------|
| Total in-service employees of the parent company | 60,706 |
| Total in-service employees of main subsidiaries  | 2,876  |
| Total in-service employees                       | 63,582 |



|                                                               |        |
|---------------------------------------------------------------|--------|
| Retired employees in the parent company and main subsidiaries | 2,355  |
| Incl.: Disciplines of employees of the parent company         |        |
| Senior Management members                                     | 304    |
| Banking staff                                                 | 53,977 |
| Technical staff                                               | 6,425  |
| Incl.: Education level of employees in the parent company     |        |
| Junior college and vocational school                          | 7,574  |
| Bachelor's degree                                             | 39,020 |
| Master's degree and Doctorate degree                          | 14,112 |

Note: The number of in-service employees at the parent company comprises all types of workers, which are divided into 57,017 contracted employees and 3,689 outsourced service workers.

#### 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 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 control, 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 with professional post performance remuneration. It intensified accountability management, and used deferred payment of remuneration as an efficient risk constraint.

During the reporting period, by the same standards used in the previous year, the parent company accrued employee remunerations totaling RMB26,494 million for regular employees and other types of employees, totaling 60,706 people.

#### **4.11.3 Human resources management**

Aligned with its primary operational objectives, the Bank directed its attention to various domains, including consolidating basic management, refining the policy system, optimizing incentives and constraints, intensifying penetrating guidance, and implementing diverse inspection and rectification initiatives to strengthen the foundation of outlets. Recognizing the pivotal role of talent in its development trajectory, the Bank placed a premium on cultivating a high-caliber team of managerial personnel. It intensified efforts to train and identify young managerial talent, optimized its managerial workforce in terms of age diversity, and enhanced capabilities in talent introduction, selection, and employment. Emphasizing the rational and scientific allocation of human resources, the Bank persisted in enhancing its personnel mechanisms, thereby further solidifying basic management practices. These endeavors not only established a positive organizational framework but also served as a personnel guarantee for the attainment of the Bank's strategic objectives.

#### **4.11.4 Staff training plan**

During the reporting period, the Bank dedicated itself to strengthening training service capacity and elevating training quality and efficiency by prioritizing annual training requirements and executing tasks outlined in the training plan. This was achieved through a series of initiatives aimed at enhancing training support, business integration, and experience enhancement. Firstly, the Bank rallied around the central theme of Party building, and organized bank leaders to participate in a specialized seminar to grasp and implement the core mandates of the 20th CPC National Congress. Additionally, Party members underwent online training to embody these core requirements effectively. Secondly, in alignment with the Directory of Professional Qualifications for Positions at SPD Bank, qualification training courses and examinations for all professional positions within the Bank were arranged to enhance employee proficiency in their respective roles. Thirdly, alongside the continuous operation of the "Let's go to the future" learning channel, the Bank launched the "Learning Power Project", and introduced an online library, reading sessions, and lecture series to bolster the overall competency of employees and foster a culture of continuous learning. Fourthly, the Bank hosted the "SPD Bank First Learning Power Innovation Competition" to identify and cultivate highly competent lecturers, anchors, and editors, thus establishing a pool of teaching and professional personnel crucial for business training. Fifthly, professional training sessions were conducted across the Bank to address the business priorities and

cultivate a team of skilled professionals. Sixthly, the SPD Bank Training app underwent upgrades to streamline the learning pathway, enhance the learning experience, and amplify the role of digital learning in empowering employees.

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

##### 4.12.1 Formulation and implementation of cash bonus policy

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

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

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

In RMB millions

| Bonus year | Number of bonus shares per 10 shares | Number of dividend payout per 10 shares (RMB) (tax inclusive) | Number of capital increase per 10 shares | Amount of cash bonus (tax inclusive) | Net profit attributable to the parent company's ordinary shareholders in the consolidated statements in the bonus year | Cash dividend rate (%) |
|------------|--------------------------------------|---------------------------------------------------------------|------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------|
| 2023       | -                                    | 3.21                                                          | -                                        | 9,422                                | 31,349                                                                                                                 | 30.05                  |
| 2022       | -                                    | 3.20                                                          | -                                        | 9,393                                | 45,818                                                                                                                 | 20.50                  |
| 2021       | -                                    | 4.10                                                          | -                                        | 12,034                               | 47,650                                                                                                                 | 25.26                  |

##### 4.12.3 Annual profit distribution plan of the Bank

The audited 2023 accounting statement showed that, the parent company realized a total net profit of RMB32,933 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 RMB27,580 million.

The Bank proposed the 2023 profit distribution plan as follows:

- (1) To withdraw statutory surplus reserve at 10% of after-tax profit of the year, RMB3,293 million in total;
- (2) Pursuant to the Administrative Measures for Reserve Provisioning of Financial Enterprises issued by the Ministry of Finance, the Bank set side RMB4.5 billion for general reserve.
- (3) To distribute to all shareholders cash dividends at RMB3.21 (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 2023, the Bank's ordinary shares totaled 29,352,176,848, based on which the cash dividends to be distributed were calculated in RMB9,422 million (tax inclusive).

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

In 2023, 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.

#### **4.14 Formulation and Implementation of Internal Control Policies**

The Bank prepared the 2023 Internal Control Evaluation Report and disclosed it on the SSE's website ([www.sse.com.cn](http://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 amended and refined the Employee Code of Conduct, advocated for a corporate culture centered on integrity, righteousness, prudence, innovation, legality, and compliance, and placed emphasis on upholding core values such as integrity and excellence. Additionally, the establishment of the “Compliance Engine” WeChat official account facilitated the prompt dissemination of various information, including relevant cases and regulatory provisions, to primary-level employees, and fostered a culture of compliance and internal control. Based on the established three-tier supervision and evaluation system

encompassing the Head Office, branches, and independent auditors, the Bank refined the formulation and implementation standards for rectification measures, and addressed problems identified at each tier comprehensively from both case-specific and systemic perspective. It also conducted regular assessments of rectification efforts to ensure the proper resolution of relevant issues, thereby mitigating the risk of recurrence. During the reporting period, the Bank formulated and implemented a legal compliance and internal control management mechanism for its investee enterprises, and also encouraged its subsidiaries to establish and enhance their own compliance and internal control frameworks. These concerted endeavors contributed to an overall enhancement of the Group's compliance and internal control management capabilities.

#### **4.15 Relevant Information about Internal Control Audit Report**

The Bank prepared and disclosed the 2023 Internal Control Evaluation Report. KPMG Huazhen LLP audited the effectiveness of the internal control over financial reporting of the Bank as of 31 December 2023, and issued the Internal Control Audit Report. Full text of the above report has been published on SSE's website ([www.sse.com.cn](http://www.sse.com.cn)).

## Section V Environmental and Social Responsibilities

The Bank has long been active in fulfilling corporate social responsibilities (CSR) and creating value for shareholders, customers, employees, society, environment and other stakeholders. It seeks to promote social harmony and progress while realizing its sustainable development. The Board of Directors of the Bank is responsible for working out the Group's environment, social, and governance (ESG)-related strategy, and supervising and evaluating the implementation of the strategy. In 2023, with the vision of "building a first-class joint-stock commercial bank with international competitiveness", the Bank worked harder to fulfill ESG responsibilities. 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.

As one of the first institutions in the Chinese banking industry to publish a CSR report, SPD Bank has been publishing such report for 18 consecutive years as at the end of the reporting period. SPD Bank maintained its "A" rating in the 2023 Environmental, Social and Corporate Governance (ESG) ratings, as disclosed by Morgan Stanley Capital International (MSCI) in November 2023.

### 5.1 Environmental Information

#### 5.1.1 Green finance policies and systems, green finance business innovation, and green business data

##### Corporate governance

The Board of Directors demonstrates a strong commitment to environmental protection and the advancement of green finance initiatives. It actively supports the Bank in developing five key areas of finance: technology finance, green finance, inclusive finance, aging finance, and digital finance. By fully embracing and implementing the new development philosophy, the Board of Directors strategically promotes green finance initiatives. Furthermore, it has intensified support for green, low-carbon, and circular economy initiatives while actively mitigating environmental, social, and governance (ESG) risks to enhance the Bank's overall ESG performance. These efforts contribute to advancing the comprehensive green transformation of economic and social 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**

Aligned with the core mandates of the Central Financial Work Conference and the Central Economic Work Conference, the Bank prioritized the political and people-oriented nature of finance while steadfastly advancing green finance initiatives. These included refining green finance services, fostering innovation in green finance, and bolstering the supply of high-quality financial services for strategic sectors, key areas, and weak links. These concrete efforts aimed to establish green finance as a pivotal driver for China's ascent as a financial powerhouse and to facilitate the high-quality development of the financial sector. Throughout this process, the Bank leveraged its expertise to contribute to the green, low-carbon, and sustainable development of China's economy and society, and solidified "SPDB Green Creation" as a distinguished brand in the field.

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. Grounded in the principles of innovation and systematic integration, the Bank spearheaded pioneering efforts to address industry challenges by exploring three major integrated service systems: green finance, transition finance, and carbon finance. Leveraging technology, skilled personnel, and market-driven competition, it developed a suite of green finance service solutions that seamlessly integrated corporate banking, retail banking, financial markets business, and subsidiaries within the Group. Second, an environmental and social risk management system. In line with the accurate and comprehensive implementation of the new development philosophy on all fronts, the Bank seamlessly integrated ESG requirements into its management processes and comprehensive risk management system. This included robust risk information disclosure practices, enhancement of its own ESG performance, and contributions to the green transformation of economic and social development across all fronts. Third, a joint innovation system for green finance. To drive continuous innovation in green products, the Bank forged a strategic cooperation agreement with the China Beijing Green Exchange. Together, they aimed to bolster climate investment and financing services while advancing professional development in this sector. As a result of this collaboration, the Bank consistently fortified its four-pronged carbon finance framework, which included basic services, product innovation, carbon trading and market making, and research capacity building. Furthermore, the Bank, in partnership with the National Green Development Fund (NGDF) and the Shanghai United Assets and Equity Exchange, established a green finance-themed Party building brand. This brand, dedicated to advancing green development and building a beautiful China, positioned itself as a cross-regional, cross-industry, and cross-disciplinary platform for cooperation, exchange, innovation, and practical development in the field of green finance.

### **Green credit policy**

The Bank strategically aligned its credit business with the imperative for high-quality development and pertinent national policies. Firstly, it conducted rigorous assessment of industries facing overcapacity in the national economy, and carefully evaluated customers based on their environmental friendliness, with preference given to those adhering to environmental protection requirements and relevant national policies. Secondly, the Bank

expedited credit approval through the “fast channel” mechanism, and prioritized support for green credit and other acceptable assets. Thirdly, the Bank actively approved credit for specialized fields such as wind power, solar photovoltaic power, and new energy vehicles, with the total credit lines granted to these sectors steadily increasing. Fourthly, it remained committed to researching emerging low-carbon industries critical to promoting structural adjustments in the economy.

### **Green financial products and services**

The Bank persistently refined its innovative, leading, and specialized green finance service system. One notable initiative was the launch of the Comprehensive Financial Service Program for Zero-Carbon Industrial Parks, which fostered the comprehensive operation of such parks within ecosystem and chain-based frameworks. In the realm of carbon finance, the Bank actively engaged in the development of carbon markets through various dimensions. Several branches introduced innovative financing businesses leveraging environmental rights and interests, such as carbon emission rights and pollution discharge rights, thereby enriching their portfolio of products related to carbon asset financing. With respect to transition finance, the Bank actively participated in the pilot development of national and local transition standards, conducted practical research on the transition practices of leading enterprises in key carbon-intensive industries, and landed the first batch of “transition finance loans” in Shanghai, thereby promoting China’s low-carbon transition with tangible actions. In the sphere of climate investment and financing, the Bank proactively undertook projects in pilot areas designated for climate investment and financing nationwide. This proactive stance resulted in the issuance of the first carbon asset-backed bond among cities designated for piloting climate investment and financing in China, aligning with the national imperative for “carbon peaking and carbon neutrality”. Furthermore, in ecology-oriented development (EOD) business, the Bank officially joined the roster of institutions granted access to the pool of projects supported by ecology finance, as initiated by the Ministry of Ecology and Environment of China. This strategic move enabled the Bank to effectively serve the customer group involved in ecological protection, thereby contributing to the ongoing efforts to combat pollution and enhance environmental sustainability.

### **Green credit**

As at the end of the reporting period, the Bank’s green credit balance was RMB524.6 billion, an increase of RMB97.5 billion or 22.82% year on year. Its balance of loans granted to the clean energy industry stood at RMB135.1 billion, a year-on-year increase of RMB16.7 billion. The Bank ranked at 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 RMB5.2 billion to 64 projects, which contributed to an annual reduction of 1.51 million tons of carbon dioxide equivalent. Since the obtainment of carbon emission reduction instruments, the Bank has issued carbon emission reduction loans of RMB18.6 billion to 151 projects in total, which contributed to an annual reduction of 5 million tons in CO<sub>2</sub> 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 RMB7.1 billion of green bonds, of which the green debt financing instruments amounted to RMB5.3 billion and the green financial bonds totaled RMB1.8 billion. Meanwhile, it secured the first innovative carbon asset bond in many places nationwide.

### **Green financial bonds**

During the reporting period, the Bank successfully issued the first tranche of green financial bonds in 2023 with a size of RMB30 billion. The theme of these bonds centered around serving the “carbon peaking and carbon neutrality” goal and actively mitigating climate change.

#### **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 and promotion 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. The “SPD Cloud Carbon Control” intelligent electricity consumption management platform system and relevant equipment obtained a utility model patent from the China National Intellectual Property Administration. To date, nearly 100 outlets have been connected to the platform. During the reporting period, through energy performance contracting, the Bank saved a total of 733,600 kWh of electricity, which was equivalent to 308,1 tons of carbon dioxide emissions. Huzhou Anji Sub-branch of SPD Bank Hangzhou Branch received carbon offset certificates from both the United Nations Framework Convention on Climate Change and the Shanghai Environment and Energy Exchange (SEEE) simultaneously. This distinction marked it as a zero-carbon bank outlet with certifications from both international and domestic authorities.

### **5.2 Social Responsibilities**

On 9 January 2023, SPD Bank launched the 16th “Protecting the Mother River” Volunteer Day activity, in which all staff members recorded their carbon reductions in daily work through the “My Carbon Footprint” platform, and practiced the initiative of “Low-Carbon Lifestyles for a Green Future”. This initiative aimed to harness the collective efforts of staff, the Bank, and customers to implement green practices collaboratively. Meanwhile, the Bank made donations to support the “Protecting the Mother River - Gansu Youth Eco-Forest” project, thereby helping improve the ecological environment of the Yellow River Basin and the Yangtze River Basin.

In April 2023, SPD Bank partnered with the Yangtze River Ecological Protection Foundation to make donations to the “Fish in the Yangtze River” public welfare program. This initiative aimed to safeguard the biodiversity of the Yangtze River Basin, enhance the ecological environment of the Yangtze River and foster green and sustainable development in the region.



See the 2023 Corporate Social Responsibility (ESG) Report of the Bank for more information.

### 5.3 Consumer Protection

The Bank places significant emphasis on consumer protection. It continued to enhance its consumer protection management framework, and allocated more resources to this area. In alignment with regulatory requirements and management priorities, the Bank consistently refined policy system and operational requirements related to key aspects of consumer protection management, including consumer protection review, sales traceability management, oversight of third-party cooperation agencies, dispute resolution mechanisms, and internal assessment. Moreover, the Bank diligently undertook various tasks related to mechanism development, drafting of contractual texts, marketing and publicity strategies, handling of customer complaints, and conducting inspections and rectifications. In recognition of excellence, three business outlets were honored as the “Top 100 Demonstration Units for Civilized and Standardized Services in the Banking Industry”, setting benchmarks for service quality across the Bank. Furthermore, the Bank intensified efforts to digitize consumer protection processes and provided comprehensive consumer protection training to all employees to enhance their awareness and competence in this field. These concerted efforts were geared toward enhancing the quality and efficiency of consumer protection measures across the Bank.

During the reporting period, the Bank continued carrying out financial literacy activities among consumers through both online and offline, centralized and localized, and standardized and characteristic publicity channels to raise their awareness of financial security and risk prevention. In 2023, it launched the “March 15” Consumer Protection Awareness Week, the “Journey for Disseminating Financial Knowledge”, the “Protecting Your Money”, and the “Financial Consumer Protection Month” campaigns. A total of over 50,000 employees from more than 1,700 outlets nationwide joined these awareness-raising initiatives. They organized over 39,835 publicity activities both online and offline, and created promotional materials with a click volume of over 83.62 million, which reached out to more than 454.45 million people. These activities covered such themes as financial literacy, anti-fraud awareness enhancement, prevention of illicit financial activities, and establishment of value-oriented investment concepts. 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” at their business premise, placed with financial knowledge brochures, and incorporated financial literacy improvement into the entire workflow of consumer-related operations. Moreover, the employees went out and visited villages, communities, business districts, schools and enterprises to spread financial knowledge through various forms of offline activities such as “Senior-friendly Financial Services”, “Early Financial Education”, and “Consumer Protection Initiatives for New Citizens”, while taking the initiative to provide door-to-door publicity campaigns and services for financial consumers. 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 389,588 consumer complaints in total, which were mainly concentrated in credit card, personal loan, and debit card businesses as well as in the Yangtze River Delta, Bohai Rim, Central China and Western China. With respect to complaint

management, the Board of Directors and the Senior Management of the Bank regularly listened to reports on the work done in addressing complaints across the Bank, put forth requirements, and provided guidance on key aspects of work. The lead department for complaint management continuously organized and promoted the work related to complaints across the Bank, refined and improved complaint management mechanisms and policy system of the Bank, intensified efforts in team building, 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, further 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 consumer complaints mediated in the total disputes went up further. Regions where consumer complaints were mainly distributed:

| Region                                           | Total complaints | Proportion |
|--------------------------------------------------|------------------|------------|
| Head Office                                      | 327,193          | 83.98%     |
| Yangtze River Delta Region                       | 17,648           | 4.53%      |
| Bohai Rim                                        | 13,145           | 3.37%      |
| Central China                                    | 10,458           | 2.69%      |
| Western China                                    | 8,737            | 2.24%      |
| Pearl River Delta and West Side of Taiwan Strait | 7,363            | 1.89%      |
| Northeastern China                               | 5,044            | 1.30%      |
| Total                                            | 389,588          | 100%       |

#### 5.4 Investor Relations Management

During the reporting period, the Bank remained committed to active investor relations management, guided by the principle of “proactive action and two-way interaction”, with the overarching goal of establishing itself as a “blue chip in the capital market”. Centered on the main line of “value creation, enhancement, and realization”, it consistently transmitted information to the capital market with high frequency and quality. Moreover, the Bank fostered positive interactions with stakeholders, particularly investors, to enhance its investment value and maximize shareholders’ value.

First, continuously refining the investor relations management system. The Senior Management attached great importance to investor relations management. It built a management system consisting of the Board of Directors, management personnel, and an investor relations team. The system operated as a closed-loop working mechanism,

integrating internal coordination with external communication and feedback processes. Through various channels and platforms, the Bank consistently enhanced its investor relations efforts, and fostered a corporate culture centered on serving and respecting investors.

Second, paying attention to the interests of various types of shareholders, especially those of minority shareholders. The Bank implemented a structured mechanism to enact and oversee resolutions passed during Shareholders' Meetings, promptly conveyed feedback to pertinent departments to address shareholder concerns and issues raised, and empowered its operation and management by leveraging the insights and wisdom gleaned from shareholders' input. 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, to maintain smooth communication.

Third, actively organizing major investor communication activities. In 2023, the Bank held three results briefings alongside the release of periodic reports to conduct frank and in-depth discussions with numerous investors regarding its core operational status, progress in key areas, and market concerns. Through these interactions, it effectively communicated its value propositions, strategy implementation updates, and business transformation outcomes to the public. This comprehensive approach established a cohesive value transmission chain, thereby consolidating and augmenting the Bank's market influence.

Fourth, innovating methods to carry out daily investor relations management activities properly. The Bank organized special research initiatives involving analysts and institutional investors, and deepened their comprehension of its development strategies and business endeavors. Through regular communication with prominent analysts and fund managers within the banking sector, it fostered constructive engagement. Additionally, it received investor visits, actively engaged in strategy discussions with securities firms and other investor-related events, and held communication sessions, roadshows, and analysts' meetings, thereby amplifying the Bank's influence.

Fifth, aligning information disclosure with investment relation activities more efficiently. The Bank consistently provided updates on strategy implementation and conducted analyses of its business competitiveness in periodic reports. These reports systematically detailed unique business initiatives, products, business size, customer base, branding effectiveness, market influence, and other highlights pertinent to investor interests. By doing so, the Bank enriched the depth and breadth of information disclosure, and bolstered the effectiveness of communication with investors.

## **5.5 Employee Protection**

During the reporting period, the Bank intensified its focus on staff training and development, and enhanced the professional competence of its workforce. It refined the post-qualification standard system, and adding a post-qualification training section to the SPD Bank Training app in alignment with the requirements outlined in the Directory of Professional Qualifications for Positions at SPD Bank. Throughout the year, the Bank curated a total of 339 online qualification certificate training courses, conducted 18 training sessions, and administered 105 exams, with an aggregate participation of 55,850 individuals, essentially ensuring that all professional position holders obtained licenses. Simultaneously, the Bank continued to enhance the dual-track professional and management development pathway, broadening

career advancement opportunities for employees. Introducing a new professional track in auditing alongside the existing product management and risk management sequences, the Bank expanded the scope of professional pathways, and facilitated mutual growth with employees.

During the reporting period, the “Bund 12 Staff Home” was inaugurated, offering various amenities such as displays of honors and activities, book reading areas, an audio e-book bar, and spaces for gaming and relaxation. Labor unions across all levels of the Bank completed the construction of staff homes, ensuring that “Mommy’s Hut” facilities were up to standard to provide adequate support for female employees with specific needs. Additionally, during traditional holidays, the Bank extended support to employees facing hardships, fostering a greater sense of belonging and corporate cohesion among staff members.

On 13 November 2023 and 27 December 2023, the Bank held the Fourth Meeting and the Fifth Meeting of the Third Employee Representatives’ Assembly of the Bank, respectively. They listened to the Work Report of the Management of Shanghai Pudong Development Bank, the 2022 Report on Accountability Work across the Bank, the Report on the Utilization of Employee Welfare Expenses for 2022 across the Bank, and the Report on the Duty and Integrity Statement of Employee Supervisors for 2022. They considered and adopted the Employee Code of Conduct of Shanghai Pudong Development Bank (Revision). Furthermore, they elected employee directors for the Board of Directors and employee supervisors for the Board of Supervisors, and carried out a democratic evaluation of the performance of duties by employee supervisors of the Board of Supervisors, further safeguarding the legitimate rights and interests of employees, meeting their expectations, integrating democratic management more effectively into the corporate governance structure of the Bank, and making positive contributions to enhancing the Bank’s governance framework and ensuring the sustained and sound development of its operation and management practices.

## Section VI Important Matters

### 6.1 Change to Registered Capital during the Reporting Period

As the convertible corporate bonds of the Bank “SPDB Convertible Bond” entered the conversion period on 6 May 2020, the total share capital of ordinary shares of the Bank increased to 29,352,176,848 as at the end of the reporting period. The relevant change in registered capital is subject to the approval of the NFRA.

### 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 2023 the Interpretation No.16 of the Accounting Standards for Business Enterprises (C.K. [2022] No.31) and the Accounting Standards for Business Enterprises No.25 – Insurance Contracts (C.K. [2020] No.20), two documents issued by the Ministry of Finance in recent years. The specific changes in accounting policies and the impact on the Bank are described in Note III. 35 Significant Changes in Accounting Policies to the Financial Statements and Auditor’s Report for the Year 2023 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                  |
| Names of certified public accountants from the accounting firm                       | Shi Haiyun, Dou Youming |
| Consecutive years for audit of certified public accountants from the accounting firm | 5 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 Group as a plaintiff had 162 pending proceedings, which involved an amount of approximately RMB4,212 million. Meanwhile, the Group as a third-person defendant had 134 pending proceedings, which involved an amount of RMB610 million. The estimated amount of compensation payable is approximately RMB27 million.

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

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

## **6.9 Related Party Transactions**

### **6.9.1 Overview of related party transactions**

According to relevant provisions in the Measures for the Administration of Related Party Transactions by Banking and Insurance Institutions, 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.

### 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                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------|---------------------------|-----------------|-------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SPDB Financial Leasing Co., Ltd.            | Comprehensive credit line | RMB19.5 billion | 3.48%                               | The 50th Meeting of the Seventh Board of Directors | A comprehensive credit line with the maturity date set as 15 January 2024 | Specific transaction terms are negotiated and finalized as per the principles of compliance and fairness. The Bank grants credit on terms no better than those for comparable transactions to unrelated parties. Additionally the Bank does not accept its equity as a pledge, nor guarantee its financing behavior, except for its provision of full counter-guarantees in the form of bank certificates of deposit and Chinese |
| SPDB International Holdings Limited         | Comprehensive credit line | HKD10 billion   | 1.54%                               | The 50th Meeting of the Seventh Board of Directors | A comprehensive credit line with the maturity date set as 11 January 2024 |                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Shanghai Shendi (Group) Co., Ltd.           | Comprehensive credit line | RMB25 billion   | 4.25%                               | The 53rd Meeting of the Seventh Board of Directors | A comprehensive credit line with a one-year term                          |                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| China Mobile Communications Group Co., Ltd. | Comprehensive credit line | RMB9 billion    | 1.29%                               | The 56th Meeting of the Seventh Board of Directors | A comprehensive credit line with a one-year term                          |                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| China National Tobacco Corporation          | Comprehensive credit line | RMB27 billion   | 3.87%                               | The 56th Meeting of the Seventh Board of Directors | A comprehensive credit line with a one-year term                          |                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| China Eastern Airlines Group Co., Ltd.      | Comprehensive credit line | RMB27 billion   | 3.87%                               | The 56th Meeting of the Seventh                    | A comprehensive credit line with                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                  |

|                                        |                           |                  |       |                                                    |                                                  |                   |
|----------------------------------------|---------------------------|------------------|-------|----------------------------------------------------|--------------------------------------------------|-------------------|
| Guotai Junan Securities Co., Ltd.      | Comprehensive credit line | RMB24.6 billion  | 3.53% | Board of Directors                                 | a one-year term                                  | government bonds. |
|                                        |                           |                  |       | The 59th Meeting of the Seventh Board of Directors | A comprehensive credit line with a one-year term |                   |
| Bailian Group Co., Ltd.                | Comprehensive credit line | RMB13 billion    | 1.86% | The 59th Meeting of the Seventh Board of Directors | A comprehensive credit line with a one-year term |                   |
| Shenergy Group Co., Ltd.               | Comprehensive credit line | RMB20 billion    | 2.87% | The 59th Meeting of the Seventh Board of Directors | A comprehensive credit line with a one-year term |                   |
| Shanghai International Group Co., Ltd. | Comprehensive credit line | RMB23.04 billion | 3.30% | The 60th Meeting of the Seventh Board of Directors | A comprehensive credit line with a one-year term |                   |
| Shanghai Jiushi (Group) Co., Ltd.      | Comprehensive credit line | RMB24.5 billion  | 3.51% | The 63rd Meeting of the Seventh Board of Directors | A comprehensive credit line with a one-year term |                   |

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

### 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 major 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 controls or 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.

As at the end of the reporting period, the balance of credit granted by the Bank to related legal persons amounted to RMB42,353 million. Specifically, the credit balance of substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert, and ultimate beneficiaries amounted to RMB13,866 million.

#### **6.9.4 Related natural persons and transaction balance**

Related natural persons of the Bank mainly include its directors, supervisors, Senior Management members of both the Head Office and major branches, persons with authority to approve or decide on core businesses such as large-value credit extension and asset transfer, and their close relatives, as well as directors, supervisors, senior management members, and relevant natural persons 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 in the credit category with them are set out below:

In RMB millions

| Item                                  | End of the reporting period |
|---------------------------------------|-----------------------------|
| Number of related natural persons     | 5,165                       |
| Balance of related party transactions | 663.28                      |

#### **6.9.5 Related party transactions arising from the acquisition or sales of assets or equity**

None.

#### **6.9.6 Material related party transactions with joint outward investment**

SPDB Financial Leasing Co., Ltd., a company initiated by the Bank and its related party, intended to increase its registered capital. At the 51st Meeting of the Seventh Board of Directors of the Bank, it was considered and adopted to increase the capital of SPDB Financial Leasing by RMB3 billion, and the Senior Management was authorized to complete relevant matters relating to the capital increase. Progress on these matters is currently underway and being actively pursued. For further information, please refer to the announcement dated 19 April 2023, issued by the Bank.

#### **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**

None.

#### **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 range as approved by the NFRA.

Other major contracts (including guarantee, etc.) and the execution: During the reporting period, major 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**

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 Holdings, Inc. ("J.P. Morgan Asset Management") to become the substantial shareholder of China International Fund Management Co., Ltd. ("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, the transfer of shareholding of CIFM was completed. For details of relevant matters, please refer to the Bank's announcement dated 5 April 2023.

## Section VII Changes of Shares and Shareholders

### 7.1 Overview of Equity Capital

#### 7.1.1 Changes of ordinary shares

|                                                       | Before change  |                | Change                                  |                              | After change   |                |
|-------------------------------------------------------|----------------|----------------|-----------------------------------------|------------------------------|----------------|----------------|
|                                                       | Quantity       | Percentage (%) | Shares converted from convertible bonds | Lifting of restricted shares | Quantity       | Percentage (%) |
| I. Floating shares without restricted sale conditions |                |                |                                         |                              |                |                |
| 1. RMB ordinary shares                                | 29,352,174,170 | 100            | 2,678                                   | -                            | 29,352,176,848 | 100            |
| 2. Others                                             | -              | -              | -                                       | -                            | -              | -              |
| II. Total ordinary shares                             | 29,352,174,170 | 100            | 2,678                                   | -                            | 29,352,176,848 | 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                                                             | 195,776  |
| Total number of ordinary shareholders as at the end of the month before the annual report disclosure day                                | 184,536  |
| 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                         | -                                             | 945,568,990                                         | 3.22           | -                                                | -                                            | State-owned                           |

|                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |             |      |   |   |                          |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------|---|---|--------------------------|
| Development Co., Ltd.                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |             |      |   |   | legal person             |
| Hong Kong Securities Clearing Company Limited                                                          | -78,223,311                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 578,526,581 | 1.97 | - | - | 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       | <p>1. Shanghai International Group Co., Ltd. is the controlling company of Shanghai Sitico Assets Management Co., Ltd. and Shanghai Guoxin Investment Development Co., Ltd.</p> <p>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.</p> <p>Connected relations or concerted action relations of the aforesaid shareholders apart from the situations mentioned above are unknown to the Bank.</p> |             |      |   |   |                          |
| 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 the competent regulator.

### 7.3 Overview of Controlling Shareholders and De Facto Controllers

**The Bank had no controlling shareholders or de facto controllers.**

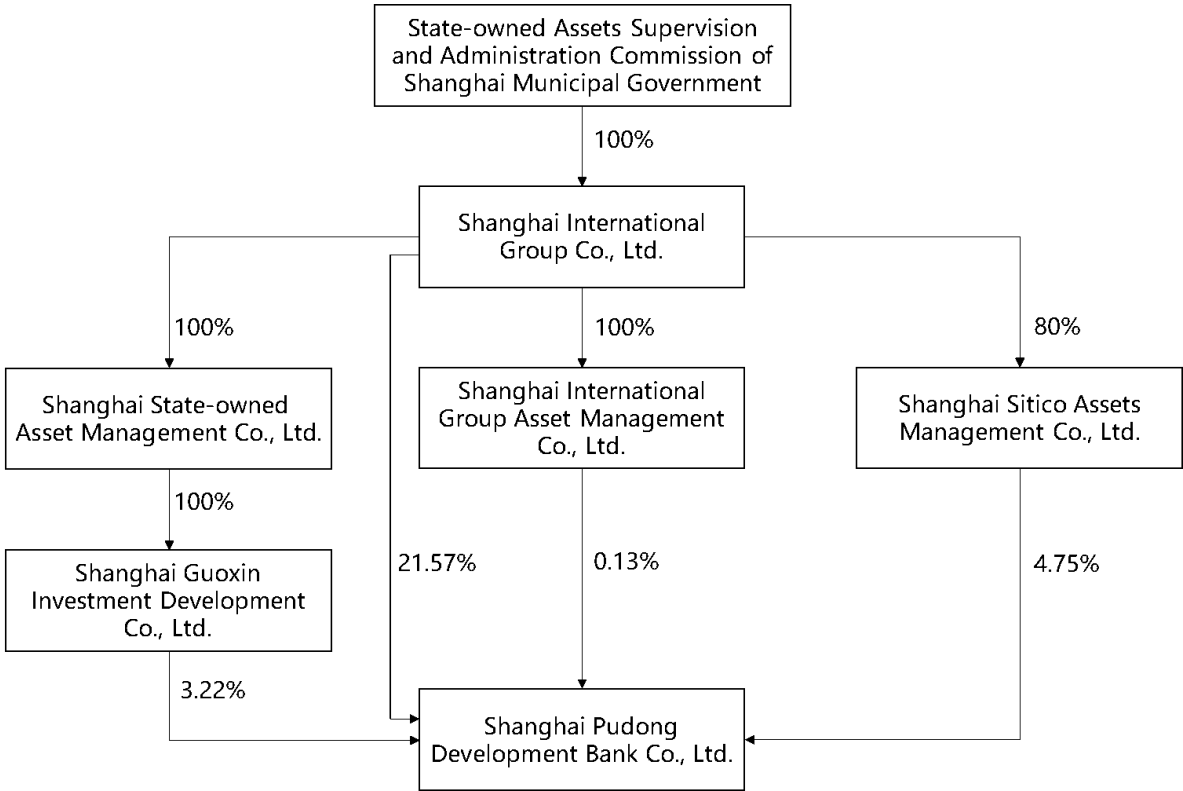
The largest consolidated shareholder of the Bank was Shanghai International Group Co., Ltd., which was not changed during the reporting period. As at the end of the reporting period, Shanghai International Group Co., Ltd. and its controlled subsidiaries held 29.67% shares of the Bank on a consolidated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

**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 competent regulator, reinsurance for the above insurances, insurance agency (by virtue of business license), and funds application businesses as approved by the competent regulator.

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 the NFRA.

(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 Ge Songhai. 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.

## **7.5 Other Substantial Shareholders under the Regulatory Standards in the Banking Industry**

According to the Interim Measures for the Equity Management of Commercial Banks of the former 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 former CBIRC or its local offices.

(1) 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.

(2) 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 289,580,931 shares of the Bank, accounting for 0.99% of its total. It, together with the person acting in concert Shanghai Qiangsheng Group Co., Ltd., held 301,594,452 shares of the Bank, accounting for 1.03% 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.

(3) 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 Yao Zhijian. Its unified social credit code is 91310000631672348E. Its business scope covers industrial investment, operation of refined oil, gas operation, domestic trade (except for that subject to special provisions of the State) and related consulting services, self-owned house leasing, wholesale of grain and oil, information technology services (except network), wholesale of coal (raw coal), and import & export of goods.

As at the end of the reporting period, Shanghai Jiulian Group Limited directly held 92,168,281 shares of the Bank, accounting for 0.31% of its total. It, together with the person acting in concert Shenergy Group Limited, held 162,216,263 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.

## Section VIII Overview of Preference Shares

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

In 10,000 shares

| Code of preference share | Abbreviation of preference share | Issuance date    | Issuance price (RMB) | Nominal dividend rate (%) | Number of issued shares | Listing date     | Trade volume of listing | Date of delisting |
|--------------------------|----------------------------------|------------------|----------------------|---------------------------|-------------------------|------------------|-------------------------|-------------------|
| 360003                   | SPDB P 1                         | 28 November 2014 | 100                  | 5.58                      | 15,000                  | 18 December 2014 | 15,000                  | -                 |
| 360008                   | SPDB P 2                         | 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     | 17                                      |
| Total number of shareholders of preference shares at the end of the month before the date of annual report disclosure | 360003 | SPDB P 1     | 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

### SPDB P 1

| Name of shareholder                                                                                           | Number of shares held at the end of the period | Percentage (%) | Class of shares held       | Number of shares |                       |
|---------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------|----------------------------|------------------|-----------------------|
|                                                                                                               |                                                |                |                            | 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                |
| Sun Life Everbright Asset Management – Sun Life Everbright Assets Juyou No. 2 Equity Asset Management Product | 12,993,000                                     | 8.66           | 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                    | 9,180,000                                      | 6.12           | Domestic preference shares | -                | Others                |

|                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      |                            |   |        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|----------------------------|---|--------|
| Collective Asset Management Plan                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      |                            |   |        |
| BOCOM Schroder Asset Management Co., Ltd. – BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan                                                                                                             | 8,540,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 5.69 | Domestic preference shares | - | Others |
| BNB Wealth Management Co., Ltd. – Ningxin Series of Wealth Management Products                                                                                                                                                          | 8,357,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 5.57 | Domestic preference shares | - | Others |
| Everbright Securities Asset Management – Everbright Securities Asset Management Xinyou No. 3 Collective Asset Management Plan                                                                                                           | 6,290,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 4.19 | 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 | <p>1. Ping An Life Insurance of China – Universal – Universal Individual Insurance, Ping An Life Insurance of China – Dividend – Dividends for Individual Insurance, Ping An Property &amp; Casualty Insurance Company of China Ltd. – Conventional – Ordinary Insurance Product are persons acting in concert.</p> <p>2. BOCOM Schroder Asset Management Co., Ltd. – BOCOM Schroder Asset Management Zhuoyuan No. 1 Collective Asset Management Plan and BOCOM Schroder Asset Management Co., Ltd. – BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan are under the same legal person.</p> <p>Connected relations or concerted action relations of the aforesaid shareholders apart from the situations mentioned above are unknown to the Bank.</p> |      |                            |   |        |

**SPDB P 2**

| Name of shareholder                                                                                           | Number of shares held at the end of the period | Percentage (%) | Class of shares held       | Number of shares |                       |
|---------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------|----------------------------|------------------|-----------------------|
|                                                                                                               |                                                |                |                            | 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                |
| Ping An Property & Casualty Insurance Company of China Ltd. – Conventional – Ordinary Insurance Product       | 10,450,000                                     | 6.97           | Domestic preference shares | -                | Others                |
| Bank of China Limited Shanghai Branch                                                                         | 9,960,000                                      | 6.64           | Domestic preference shares | -                | Others                |
| Sun Life Everbright Asset Management – Sun Life Everbright Assets Juyou No. 2 Equity Asset Management Product | 9,065,000                                      | 6.04           | Domestic preference shares | -                | Others                |
| Sun Life Everbright Asset Management – Sun Life Everbright Assets Juyou No. 1                                 | 6,580,000                                      | 4.39           | Domestic preference shares | -                | Others                |

|                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |      |                            |   |        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|----------------------------|---|--------|
| Equity Asset Management Product                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |      |                            |   |        |
| BOCOM Schroder Asset Management Co., Ltd. – BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan                                                                                                             | 5,970,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 3.98 | Domestic preference shares | - | Others |
| Everbright Securities Asset Management – Everbright Securities Asset Management Xinyou No. 3 Collective Asset Management Plan                                                                                                           | 4,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2.67 | 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 | <p>1. 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 &amp; Casualty Insurance Co., Ltd. – Ordinary Insurance Product are persons acting in concert.</p> <p>2. Sun Life Everbright Asset Management – Sun Life Everbright Assets Juyou No. 2 Equity Asset Management Product and Sun Life Everbright Asset Management – Sun Life Everbright Assets Juyou No. 1 Equity Asset Management Product are under the name of the same legal person.</p> <p>Connected relations or concerted action relations of the aforesaid shareholders apart from the situations mentioned above are unknown to the Bank.</p> |      |                            |   |        |

### 8.3 Distribution of Dividends on Preference Shares

#### 8.3.1 Distribution of dividends on preference shares during the reporting period

On 25 February 2023, 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 2023, and the ex-dividend date is 10 March 2023. The start date of interest accrual for dividend distribution is 11 March 2022 and the date of dividend distribution is 13 March 2023. 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 24 November 2023, 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 1 December 2023, and the ex-dividend date is 1 December 2023. The start date of interest accrual for dividend distribution is 3 December 2022 and the

date of dividend distribution is 4 December 2023. Based on the nominal dividend rate 5.58% of SPDB P 1, the cash dividend to be distributed per share would be RMB5.58 (tax inclusive), and the total dividends would be RMB837 million (tax inclusive).

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

In RMB100 millions

| Year | Distribution amount of dividends on preference shares | Remarks                                        |
|------|-------------------------------------------------------|------------------------------------------------|
| 2023 | 15.585                                                | Dividend distribution of SPDB P 1 and SPDB P 2 |
| 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 |

### 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 regulatory

authority in the banking industry. Holders of the preference shares have no right to require the Bank to redeem the outstanding preference shares. Dividends of the preference shares are payable in cash on an annual basis at a fixed dividend rate which is adjusted every five years. The Bank has the right to not to declare or distribute the dividends of preference shares in part or in full.

Upon occurrence of any of the following triggering events and subject to the approval from the competent regulator, 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.



## Section IX 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 | 23,318 |
| 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) | 6,715,796,000               | 13.43          |
| Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)                           | 3,211,516,000               | 6.42           |
| Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)          | 3,092,559,000               | 6.19           |
| Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank)                 | 2,624,257,000               | 5.25           |
| Specific account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China)             | 2,445,972,000               | 4.89           |
| Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)      | 2,011,704,000               | 4.02           |

|                                                                                                                                              |               |      |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------|------|
| Special account for collateralized bond repurchase in the securities depository and clearing system (China CITIC Bank)                       | 1,729,625,000 | 3.46 |
| Special account for collateralized bond repurchase in the securities depository and clearing system (China Everbright Bank)                  | 965,689,000   | 1.93 |
| Special account for collateralized bond repurchase in the securities depository and clearing system (Postal Savings Bank of China Co., Ltd.) | 766,735,000   | 1.53 |

### 9.1.3 Changes in convertible bonds during the reporting period

As at 31 December 2023, a total of RMB1,412,000 of SPDB Convertible Bonds had been converted into ordinary shares of the Bank, and the cumulative number of converted shares was 96,451, 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 RMB49,998,588,000, 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                                                                           | 49,998,624,000      | 36,000                                   | -          | -              | 49,998,588,000     |
| Amount of conversion during the reporting period (RMB)                                          |                     |                                          |            | 36,000         |                    |
| Number of converted shares during the reporting period (share)                                  |                     |                                          |            | 2,678          |                    |
| Accumulated converted shares (share)                                                            |                     |                                          |            | 96,451         |                    |
| Percentage of accumulative converted shares of total outstanding shares prior to conversion (%) |                     |                                          |            | 0.0003         |                    |
| Amount of unconverted convertible bonds (RMB)                                                   |                     |                                          |            | 49,998,588,000 |                    |
| 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 2022 on 21 July 2023. 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 RMB13.56 per share to RMB13.24 per share as of 21 July 2023 (ex-dividend date).

The adjustments to conversion prices of convertible bonds issued by the Bank are as follows:

| Date of conversion price adjustment                                       | Conversion price after adjustment (RMB/share) | Disclosure date | Disclosed on                                                                                          | Notes on conversion price adjustment |
|---------------------------------------------------------------------------|-----------------------------------------------|-----------------|-------------------------------------------------------------------------------------------------------|--------------------------------------|
| 23 July 2020                                                              | 14.45                                         | 16 July 2020    | China Securities Journal, Shanghai Securities News, Securities Times, SSE website, the Bank's website | Adjusted due to profit distribution  |
| 21 July 2021                                                              | 13.97                                         | 13 July 2021    |                                                                                                       |                                      |
| 21 July 2022                                                              | 13.56                                         | 13 July 2022    |                                                                                                       |                                      |
| 21 July 2023                                                              | 13.24                                         | 13 July 2023    |                                                                                                       |                                      |
| Latest conversion price as at the end of the reporting period (RMB/share) |                                               |                 |                                                                                                       | 13.24                                |

### 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 15 June 2023, 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 24 March 2023 to 28 March 2023, the Bank finished issuing the 2023 Tranche 1 Green Financial Bonds (bond abbreviation: 23 SPD Bank Green Financial Bonds 01, bond code: 2328007) in the national interbank bond market upon the approval of the PBC. The 3-year fixed rate bonds came in a size of RMB30 billion, with a coupon rate of 2.79%, the start date of interest accrual of 28 March 2023 and the maturity date of 28 March 2026. All funds raised by the bonds shall be used for the green industry projects in areas related to carbon emission reduction and climate change mitigation in accordance with applicable laws and regulatory approvals, and comply with the requirements of the Catalog of Projects Supported by Green Bonds (Version 2021). The use of proceeds shall be consistent with the prospectus.

## Section X Financial Report

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

### 10.2 Financial Statements and Auditor's Report for the Year 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                                            | 5.10                 | 5.21             | 1.07                     | 0.99          |
| Net profit attributable to the parent company's ordinary shareholders deducting the non-recurring profit or loss | 4.64                 | 4.75             | 0.97                     | 0.91          |

## Section XI Catalog of Documents for Reference

### 11.1 Accounting Statements Bearing Signatures and Stamps of the Legal Representative, Vice President in Charge of Financial Work, and the Person in Charge of Accounting Institutions

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

Zhang Weizhong, Chairman

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

26 April 2024

Shanghai Pudong Development Bank Co., Ltd.

Financial Statements  
For the year ended 31 December 2023

English Translation of the Financial Statements

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

## AUDITOR'S REPORT

KPMG Huazhen Shenzi NO. 2407993

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

#### Opinion

We have audited the financial statements of Shanghai Pudong Development Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 1 to 161, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2023, 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 2023 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. 2407993

### Key audit matters (continued)

| <b>Measurement of expected credit loss ("ECL") for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments</b>                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                          | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments involves significant management judgments.</p> <p>The Group established internal controls for the ECL measurement.</p> | <p>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:</p> <ul style="list-style-type: none"><li>• 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:</li><li>- 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;</li><li>- 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;</li></ul> |



## AUDITOR'S REPORT (continued)

KPMG Huazhen Shenzi NO. 2407993

### Key audit matters (continued)

| <b>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 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. | <ul style="list-style-type: none"><li>• 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 judgments involved.</li><li>• 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;</li><li>• 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 modifications of key estimates and parameters input, and assessed the consistency of judgement used by management;</li></ul> |

## AUDITOR'S REPORT (continued)

KPMG Huazhen Shenzi NO. 2407993

### Key audit matters (continued)

| <b>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p>The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following:</p> <p>(1) Division of business operations sharing similar credit risk characteristics into the same group, selection of appropriate models and determination of relevant key parameters;</p> <p>(2) Criteria for determining a significant increase in credit risk, default and credit impairments;</p> <p>(3) Application of economic indicators, economic scenarios and their respective weightings for forward-looking information.</p> | <ul style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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 industries sensitive to the current business cycle and regulatory policies. We also focused on loans with perceived higher risk and selected samples from loans credit impairment has occurred, overdue but credit impairment has not occurred, a significant increase in credit risk 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 the operation conditions of borrowers, checked the financial information of the borrower and searched for market information about the borrower's business and operation;</li> </ul> |

## AUDITOR'S REPORT (continued)

KPMG Huazhen Shenzi NO. 2407993

### Key audit matters (continued)

| <b>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</b>                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                               | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 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. | <ul style="list-style-type: none"><li>• Performing credit reviews for the selected credit impaired loans and advances to customers and financial investment at amortized cost by evaluating loss ratio calculation model based on grouping , or 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;</li><li>• Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group;</li><li>• 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.</li></ul> |

## AUDITOR'S REPORT (continued)

KPMG Huazhen Shenzi NO. 2407993

### 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.</p> <p>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.</p> | <p>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• Selecting structured entities of each key product type and performing the following procedures for each structured entity selected:<ul style="list-style-type: none"><li>- 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;</li><li>- 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;</li></ul></li></ul> |

## AUDITOR'S REPORT (continued)

KPMG Huazhen Shenzi NO. 2407993

### Key audit matters (continued)

| <b>Consolidation of structured entities (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Refer to Notes III.4 and VII to the financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>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.</p> <p>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.</p> | <ul style="list-style-type: none"><li>• Selecting structured entities of each key product type and performing the following procedures for each structured entity selected (continued):<ul style="list-style-type: none"><li>- 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;</li><li>- Assessing management's judgement over whether the structured entity should be consolidated or not;</li></ul></li><li>• Evaluating the disclosures relating to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.</li></ul> |

## AUDITOR'S REPORT (continued)

KPMG Huazhen Shenzi NO. 2407993

### Key audit matters (continued)

| <b>Assessment of the fair value of financial instruments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Refer to Notes III.8, III.23, III.34 described in the accounting policies, and XII.4 to the financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p>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.</p> <p>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.</p> <p>Besides, the Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.</p> <p>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.</p> | <p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> <li>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;</li> <li>Assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data;</li> <li>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;</li> <li>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;</li> <li>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.</li> </ul> |

## **AUDITOR'S REPORT (continued)**

KPMG Huazhen Shenzi NO. 2407993

### **Other Information**

Management is responsible for the other information. The other information comprises all the information included in the 2023 annual report, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

## **AUDITOR'S REPORT (continued)**

KPMG Huazhen Shenzi NO. 2407993

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (5) Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



## **AUDITOR'S REPORT (continued)**

KPMG Huazhen Shenzi NO. 2407993

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

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

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

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

KPMG Huazhen LLP

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

Beijing, China

Shi Haiyun (Engagement Partner)

Dou Youming

26 April 2024

Shanghai Pudong Development Bank Co., Ltd.  
Consolidated and the Bank's Balance Sheets  
as at 31 December 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                        |      | The Group           |                     | The Bank            |                     |
|--------------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                                                        | Note | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| <b>Assets</b>                                          |      |                     |                     |                     |                     |
| Cash and balances with central bank                    | V.1  | 537,131             | 457,089             | 532,553             | 452,719             |
| Deposits with banks and other financial institutions   | V.2  | 105,753             | 168,169             | 89,196              | 157,910             |
| Placements with banks and other financial institutions | V.3  | 451,609             | 363,474             | 460,739             | 369,902             |
| Precious metals                                        |      | 17,526              | 3,948               | 17,526              | 3,948               |
| Derivative financial assets                            | V.4  | 56,311              | 42,829              | 56,265              | 42,770              |
| Financial assets purchased under resale agreements     | V.5  | 44,719              | 111,411             | 44,719              | 111,411             |
| Loans and advances to customers                        | V.6  | 4,904,696           | 4,798,350           | 4,796,566           | 4,695,040           |
| Financial investments:                                 | V.7  |                     |                     |                     |                     |
| - Trading assets                                       |      | 780,226             | 708,984             | 740,523             | 636,751             |
| - Debt investments                                     |      | 1,271,082           | 1,196,691           | 1,208,379           | 1,193,150           |
| - Other debt investments                               |      | 618,017             | 641,918             | 606,606             | 633,808             |
| - Other equity investments                             |      | 6,730               | 7,870               | 6,730               | 7,870               |
| Long-term equity investments                           | V.8  | 2,825               | 2,655               | 31,768              | 31,626              |
| Fixed assets                                           | V.9  | 45,308              | 37,157              | 18,286              | 14,721              |
| Construction in process                                |      | 1,982               | 5,250               | 1,159               | 4,471               |
| Right-of-use assets                                    | V.10 | 7,150               | 8,022               | 6,716               | 7,495               |
| Intangible assets                                      | V.11 | 9,767               | 10,349              | 7,464               | 8,036               |
| Goodwill                                               | V.12 | 5,351               | 6,981               | -                   | -                   |
| Deferred income tax assets                             | V.13 | 71,598              | 68,690              | 69,250              | 66,867              |
| Other assets                                           | V.14 | 69,466              | 64,814              | 63,671              | 57,255              |
| Total assets                                           |      | 9,007,247           | 8,704,651           | 8,758,116           | 8,495,750           |

The notes on pages 14 to 161 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.  
Consolidated and the Bank's Balance Sheets (continued)  
as at 31 December 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                        |      | The Group           |                     | The Bank            |                     |
|--------------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                                                        | Note | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| <b>Liabilities and equity</b>                          |      |                     |                     |                     |                     |
| <b>Liabilities</b>                                     |      |                     |                     |                     |                     |
| Borrowing from central bank                            |      | 235,242             | 165,133             | 234,591             | 164,427             |
| Deposits from banks and other financial institutions   | V.16 | 991,032             | 770,338             | 1,002,087           | 783,068             |
| Placements from banks and other financial institutions | V.17 | 302,677             | 341,005             | 199,591             | 253,437             |
| Trading liabilities                                    | V.18 | 10,207              | 10,238              | 7,869               | 3,233               |
| Derivative financial liabilities                       | V.4  | 52,293              | 37,526              | 52,260              | 37,525              |
| Financial assets sold under repurchase agreements      | V.19 | 519,784             | 350,168             | 449,030             | 304,949             |
| Deposits from customers                                | V.20 | 5,060,344           | 4,893,812           | 5,027,145           | 4,861,357           |
| Employee benefits payable                              | V.21 | 13,879              | 12,672              | 12,067              | 10,764              |
| Taxes payable                                          | V.22 | 25,104              | 32,213              | 24,239              | 31,067              |
| Debt securities issued                                 | V.23 | 1,011,653           | 1,330,304           | 1,004,010           | 1,319,856           |
| Deferred income tax liabilities                        | V.13 | 1,014               | 641                 | -                   | -                   |
| Lease liabilities                                      | V.10 | 6,871               | 7,832               | 6,423               | 7,293               |
| Provisions                                             | V.24 | 7,753               | 6,230               | 7,753               | 6,228               |
| Other liabilities                                      | V.25 | 36,510              | 39,764              | 28,661              | 33,004              |
| Total liabilities                                      |      | 8,274,363           | 7,997,876           | 8,055,726           | 7,816,208           |

The notes on pages 14 to 161 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.  
Consolidated and the Bank's Balance Sheets (continued)  
as at 31 December 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                     |      | The Group           |                     | The Bank            |                     |
|-----------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                                                     | Note | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| <b>Liabilities and equity<br/>(continued)</b>       |      |                     |                     |                     |                     |
| <b>Equity</b>                                       |      |                     |                     |                     |                     |
| 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 | 2,107               | (3,053)             | 1,893               | (3,007)             |
| Surplus reserves                                    | V.30 | 188,929             | 174,385             | 188,929             | 174,385             |
| General risk reserve                                | V.31 | 101,575             | 99,515              | 98,000              | 93,500              |
| Retained earnings                                   | V.32 | 208,333             | 203,220             | 189,813             | 190,909             |
| Equity attributable to the shareholders of the Bank |      | 724,749             | 697,872             | 702,390             | 679,542             |
| Minority interests                                  |      | 8,135               | 8,903               | -                   | -                   |
| Total equity                                        |      | 732,884             | 706,775             | 702,390             | 679,542             |
| Total liabilities and equity                        |      | 9,007,247           | 8,704,651           | 8,758,116           | 8,495,750           |

These financial statements were approved for issue by the Board of Directors of the Bank on 26 April 2024.

Chairman of the board  
of the directors:  
Weizhong Zhang

Vice President  
In-charge of  
financial work:  
Yiyan Liu

Head of the finance  
and accounting  
department:  
Lianquan Li

The notes on pages 14 to 161 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                              | Note | The Group |           | The Bank  |           |
|------------------------------------------------------------------------------|------|-----------|-----------|-----------|-----------|
|                                                                              |      | 2023      | 2022      | 2023      | 2022      |
| Operating income                                                             |      | 173,434   | 188,622   | 160,070   | 177,160   |
| Interest income                                                              |      | 297,598   | 299,520   | 290,164   | 293,781   |
| Interest expense                                                             |      | (179,163) | (165,851) | (174,351) | (162,810) |
| Net interest income                                                          | V.33 | 118,435   | 133,669   | 115,813   | 130,971   |
| Fee and commission income                                                    |      | 32,035    | 37,766    | 29,077    | 33,308    |
| Fee and commission expense                                                   |      | (7,582)   | (9,075)   | (7,980)   | (10,860)  |
| Net fee and commission income                                                | V.34 | 24,453    | 28,691    | 21,097    | 22,448    |
| Investment income                                                            | V.35 | 27,905    | 19,877    | 23,656    | 19,208    |
| <i>Including: Income from joint ventures and associates</i>                  |      | 223       | 230       | 186       | 198       |
| <i>Gain or loss from derecognition of financial assets at amortized cost</i> |      | 2,419     | 2,683     | 2,370     | 2,683     |
| Other income                                                                 |      | 737       | 651       | 184       | 226       |
| Gains or losses from change of fair value                                    | V.36 | 2,563     | (3,854)   | 2,528     | (2,537)   |
| Foreign exchange gains                                                       | V.37 | (3,536)   | 6,692     | (3,477)   | 6,648     |
| Other operating income                                                       |      | 2,805     | 2,812     | 195       | 184       |
| Gains or losses on disposal of assets                                        |      | 72        | 84        | 74        | 12        |
| Operating expense                                                            |      | (132,698) | (132,349) | (126,558) | (125,811) |
| Taxes and surcharges                                                         |      | (2,002)   | (2,059)   | (1,889)   | (1,953)   |
| General and administrative expenses                                          | V.38 | (51,424)  | (52,607)  | (49,014)  | (49,112)  |
| Impairment on credit losses                                                  | V.39 | (76,754)  | (75,952)  | (75,518)  | (74,636)  |
| Impairment losses on other assets                                            |      | (109)     | (47)      | (70)      | (38)      |
| Other operating expenses                                                     |      | (2,409)   | (1,684)   | (67)      | (72)      |

The notes on pages 14 to 161 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                      | Note | The Group     |               | The Bank      |               |
|----------------------------------------------------------------------|------|---------------|---------------|---------------|---------------|
|                                                                      |      | 2023          | 2022          | 2023          | 2022          |
| Operating profit                                                     |      | 40,736        | 56,273        | 33,512        | 51,349        |
| Add: Non-operating income                                            |      | 101           | 76            | 83            | 69            |
| Less: Non-operating expenses                                         |      | (145)         | (200)         | (138)         | (193)         |
| Profit before income tax                                             |      | 40,692        | 56,149        | 33,457        | 51,225        |
| Less: Income tax expense                                             | V.40 | (3,263)       | (4,152)       | (524)         | (2,746)       |
| Net profit for the year                                              |      | <u>37,429</u> | <u>51,997</u> | <u>32,933</u> | <u>48,479</u> |
| 1. Classification according to the ability of operation continuation |      |               |               |               |               |
| - Continued operation net profit                                     |      | 37,429        | 51,997        | 32,933        | 48,479        |
| - Discontinued operation net profit                                  |      | -             | -             | -             | -             |
| 2. Classification according to shareholders                          |      |               |               |               |               |
| - Shareholders of the Bank                                           |      | 36,702        | 51,171        | 32,933        | 48,479        |
| - Minority interests                                                 |      | 727           | 826           | -             | -             |

The notes on pages 14 to 161 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                                             | Note | The Group |         | The Bank |         |
|---------------------------------------------------------------------------------------------|------|-----------|---------|----------|---------|
|                                                                                             |      | 2023      | 2022    | 2023     | 2022    |
| Other comprehensive income after tax                                                        | V.29 | 4,974     | (5,869) | 4,661    | (5,901) |
| Other comprehensive income attributes to shareholders of the parent company, after tax      |      | 4,921     | (5,919) | 4,661    | (5,901) |
| Items that may be reclassified to profit or loss                                            |      | 5,668     | (5,862) | 5,408    | (5,844) |
| - Other comprehensive income recognised under equity method                                 |      | (1)       | -       | (1)      | -       |
| - Changes in fair value of other debt investments                                           |      | 3,461     | (8,145) | 3,339    | (7,715) |
| - Credit impairment allowance of other debt investments                                     |      | 1,995     | 1,959   | 2,019    | 1,915   |
| - Cash flow hedge reserve                                                                   |      | 64        | (11)    | 27       | (24)    |
| - Translation differences arising from translation of foreign currency financial statements |      | 149       | 335     | 24       | (20)    |
| Item that will not be reclassified to profit or loss                                        |      | (747)     | (57)    | (747)    | (57)    |
| - Changes in fair value of other equity investments                                         |      | (747)     | (57)    | (747)    | (57)    |
| Other comprehensive income attributes to minority interests, after tax                      |      | 53        | 50      | -        | -       |
| Total comprehensive income                                                                  |      | 42,403    | 46,128  | 37,594   | 42,578  |
| Attributable to:                                                                            |      |           |         |          |         |
| - Shareholders of the Bank                                                                  |      | 41,623    | 45,252  | 37,594   | 42,578  |
| - Minority interests                                                                        |      | 780       | 876     | -        | -       |
| Earnings per share (Expressed in RMB)                                                       | V.41 |           |         |          |         |
| Basic earnings per share                                                                    |      | 1.07      | 1.56    |          |         |
| Diluted earnings per share                                                                  |      | 0.99      | 1.44    |          |         |

The notes on pages 14 to 161 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                                                  | Note | The Group<br>2023 | 2022             | The Bank<br>2023 | 2022             |
|--------------------------------------------------------------------------------------------------|------|-------------------|------------------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                                      |      |                   |                  |                  |                  |
| Net increase in deposits from customers and deposits from banks and other financial institutions |      | 376,776           | 269,218          | 374,267          | 272,626          |
| Net increase in borrowing from central banks                                                     |      | 69,274            | -                | 69,328           | -                |
| Net increase in placements from banks and other financial institutions                           |      | -                 | 73,436           | -                | 65,868           |
| Net increase in repurchase activities                                                            |      | 169,458           | 175,885          | 143,923          | 134,847          |
| Net decrease in deposits with central bank, banks and other financial institutions               |      | 19,449            | -                | 24,579           | -                |
| Net decrease in resale activities                                                                |      | -                 | 66               | -                | 67               |
| Cash received from interest                                                                      |      | 243,981           | 253,038          | 236,539          | 245,166          |
| Cash received from fee and commissions                                                           |      | 34,250            | 39,973           | 31,034           | 35,219           |
| Cash received from other operating activities                                                    |      | 22,606            | 102,486          | 19,809           | 105,461          |
| Subtotal of cash inflows                                                                         |      | <u>935,794</u>    | <u>914,102</u>   | <u>899,479</u>   | <u>859,254</u>   |
| Net increase in loans and advances to customers                                                  |      | (162,894)         | (172,136)        | (158,494)        | (164,255)        |
| Net increase in deposits with central bank, banks and other financial institutions               |      | -                 | (2,055)          | -                | (1,083)          |
| Net increase in financial assets held for trading                                                |      | (18,910)          | (17,072)         | (13,888)         | (30,444)         |
| Net increase in placements with banks and other financial institutions                           |      | (67,157)          | (76,438)         | (70,745)         | (77,963)         |
| Net increase in resale activities                                                                |      | (1,703)           | -                | (1,703)          | -                |
| Net decrease in borrowing from central banks                                                     |      | -                 | (70,174)         | -                | (69,784)         |
| Net decrease in placement from banks and other financial institutions                            |      | (37,206)          | -                | (52,634)         | -                |
| Cash paid for interest                                                                           |      | (133,716)         | (120,011)        | (129,244)        | (117,417)        |
| Cash paid for fee and commission                                                                 |      | (8,133)           | (9,838)          | (8,459)          | (11,527)         |
| Cash paid to and on behalf of employees                                                          |      | (30,677)          | (31,310)         | (28,936)         | (28,964)         |
| Cash paid for taxes                                                                              |      | (30,349)          | (28,613)         | (25,531)         | (24,983)         |
| Cash paid for other operating activities                                                         |      | (56,652)          | (21,356)         | (53,109)         | (18,487)         |
| Subtotal of cash outflows                                                                        |      | <u>(547,397)</u>  | <u>(549,003)</u> | <u>(542,743)</u> | <u>(544,907)</u> |
| Net cash flows generated from operating activities                                               | V.43 | <u>388,397</u>    | <u>365,099</u>   | <u>356,736</u>   | <u>314,347</u>   |

The notes on pages 14 to 161 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                                  | The Group          |                    | The Bank           |                    |
|----------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                                  | 2023               | 2022               | 2023               | 2022               |
| <b>Cash flows from investing activities</b>                                      |                    |                    |                    |                    |
| Redemption of investment                                                         | 2,037,428          | 1,709,002          | 1,986,357          | 1,702,286          |
| Cash received from investment income                                             | 73,492             | 66,212             | 73,091             | 64,672             |
| Net cash received from disposal of subsidiaries                                  | 6,408              | -                  | -                  | -                  |
| Cash received from other investing activities                                    | 290                | 539                | 170                | 421                |
| Subtotal of cash inflows                                                         | <u>2,117,618</u>   | <u>1,775,753</u>   | <u>2,059,618</u>   | <u>1,767,379</u>   |
| Purchase of investment                                                           | (2,134,534)        | (1,938,078)        | (2,058,874)        | (1,881,326)        |
| Cash paid to purchase fixed assets, intangible assets and other long-term assets | (12,865)           | (7,999)            | (5,483)            | (4,051)            |
| Subtotal of cash outflows                                                        | <u>(2,147,399)</u> | <u>(1,946,077)</u> | <u>(2,064,357)</u> | <u>(1,885,377)</u> |
| Net cash flows used in investing activities                                      | <u>(29,781)</u>    | <u>(170,324)</u>   | <u>(4,739)</u>     | <u>(117,998)</u>   |

The notes on pages 14 to 161 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                     | Note | The Group   |             | The Bank    |             |
|---------------------------------------------------------------------|------|-------------|-------------|-------------|-------------|
|                                                                     |      | 2023        | 2022        | 2023        | 2022        |
| <b>Cash flows from financing activities</b>                         |      |             |             |             |             |
| Proceeds from issuance of bonds and interbank deposit certificates  |      | 886,846     | 1,192,526   | 886,846     | 1,191,019   |
| Subtotal of cash inflows                                            |      | 886,846     | 1,192,526   | 886,846     | 1,191,019   |
| Cash payment of debt repayment                                      |      | (1,212,680) | (1,179,731) | (1,209,688) | (1,175,479) |
| Cash paid for dividends, profit and interest of bond issued         |      | (41,710)    | (56,410)    | (41,286)    | (55,744)    |
| Payment for other financing activities                              |      | (3,150)     | (3,087)     | (3,143)     | (3,077)     |
| Subtotal of cash outflows                                           |      | (1,257,540) | (1,239,228) | (1,254,117) | (1,234,300) |
| Net cash flows used in financial activities                         |      | (370,694)   | (46,702)    | (367,271)   | (43,281)    |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> |      | 1,901       | 8,105       | 1,996       | 7,601       |
| <b>Net (decrease)/increase in cash and cash equivalents</b>         | V.43 | (10,177)    | 156,178     | (13,278)    | 160,669     |
| Add: Cash and cash equivalents at the beginning of the year         | V.43 | 372,304     | 216,126     | 368,221     | 207,552     |
| <b>Cash and cash equivalents at the end of the year</b>             | V.42 | 362,127     | 372,304     | 354,943     | 368,221     |

The notes on pages 14 to 161 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 2023  
(Expressed in millions of RMB unless otherwise stated)

| Equity attributable to the shareholder of Bank                |      |               |                          |                 |                            |                  |                      |                   |          |                    |         |
|---------------------------------------------------------------|------|---------------|--------------------------|-----------------|----------------------------|------------------|----------------------|-------------------|----------|--------------------|---------|
|                                                               | Note | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Surplus reserves | General risk reserve | Retained earnings | Subtotal | Minority interests | Total   |
| Balance at 1 January 2023                                     |      | 29,352        | 112,691                  | 81,762          | (3,053)                    | 174,385          | 99,515               | 203,220           | 697,872  | 8,903              | 706,775 |
| Changes in equity during the year                             |      |               |                          |                 |                            |                  |                      |                   |          |                    |         |
| Net profit                                                    |      | -             | -                        | -               | -                          | -                | -                    | 36,702            | 36,702   | 727                | 37,429  |
| Other comprehensive income                                    |      | V.29          | -                        | -               | 4,921                      | -                | -                    | -                 | 4,921    | 53                 | 4,974   |
| Profit appropriation                                          |      |               |                          |                 |                            |                  |                      |                   |          |                    |         |
| - Appropriation to surplus reserves                           |      | V.30          | -                        | -               | -                          | 14,544           | -                    | (14,544)          | -        | -                  | -       |
| - Appropriation to general risk reserves                      |      | V.31          | -                        | -               | -                          | -                | 3,786                | (3,786)           | -        | -                  | -       |
| - Cash dividends to paid to ordinary shareholders             |      | V.32          | -                        | -               | -                          | -                | -                    | (9,393)           | (9,393)  | -                  | (9,393) |
| - 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 |      |               | -                        | -               | 239                        | -                | -                    | (239)             | -        | -                  | -       |
| Dividends of subsidiaries                                     |      |               | -                        | -               | -                          | -                | -                    | -                 | -        | (231)              | (231)   |
| Disposal of equity in subsidiaries                            |      |               | -                        | -               | -                          | -                | (1,726)              | 1,726             | -        | (1,317)            | (1,317) |
| Balance at 31 December 2023                                   |      | 29,352        | 112,691                  | 81,762          | 2,107                      | 188,929          | 101,575              | 208,333           | 724,749  | 8,135              | 732,884 |

The notes on pages 14 to 161 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 2022  
(Expressed in millions of RMB unless otherwise stated)

|                                                               | Note | Equity <i>attributable</i> to the shareholder of Bank |                          |                 |                            |                  |                      |                   | Minority interests | Total          |
|---------------------------------------------------------------|------|-------------------------------------------------------|--------------------------|-----------------|----------------------------|------------------|----------------------|-------------------|--------------------|----------------|
|                                                               |      | Share capital                                         | Other equity instruments | Capital reserve | Other comprehensive income | Surplus reserves | General risk reserve | Retained earnings |                    |                |
| <b>Balance at 1 January 2022</b>                              |      | 29,352                                                | 112,691                  | 81,762          | 2,821                      | 159,292          | 90,993               | 193,096           | 8,211              | 678,218        |
| Changes in equity during the year                             |      |                                                       |                          |                 |                            |                  |                      |                   |                    |                |
| Net profit                                                    |      | -                                                     | -                        | -               | -                          | -                | -                    | 51,171            | 826                | 51,997         |
| Other comprehensive income                                    | V.29 | -                                                     | -                        | -               | (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)       |
| - 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)              | -                  | -              |
| Dividends of subsidiaries                                     |      | -                                                     | -                        | -               | -                          | -                | -                    | -                 | (184)              | (184)          |
| <b>Balance at 31 December 2022</b>                            |      | <u>29,352</u>                                         | <u>112,691</u>           | <u>81,762</u>   | <u>(3,053)</u>             | <u>174,385</u>   | <u>99,515</u>        | <u>203,220</u>    | <u>8,903</u>       | <u>706,775</u> |

The notes on pages 14 to 161 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.  
Statement of changes in owners' equity  
For the year ended 31 December 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                               | Note | Share<br>Capital | Other equity<br>instruments | Capital<br>reserve | Other<br>comprehensive<br>income | Surplus<br>reserves | General risk<br>reserve | Retained<br>earnings | Total          |
|---------------------------------------------------------------|------|------------------|-----------------------------|--------------------|----------------------------------|---------------------|-------------------------|----------------------|----------------|
| <b>Balance at 1 January 2023</b>                              |      | 29,352           | 112,691                     | 81,712             | (3,007)                          | 174,385             | 93,500                  | 190,909              | 679,542        |
| Changes in equity during the year                             |      |                  |                             |                    |                                  |                     |                         |                      |                |
| Net profit                                                    |      | -                | -                           | -                  | -                                | -                   | -                       | 32,933               | 32,933         |
| Other comprehensive income                                    | V.29 | -                | -                           | -                  | 4,661                            | -                   | -                       | -                    | 4,661          |
| Profit appropriation                                          |      |                  |                             |                    |                                  |                     |                         |                      |                |
| - Appropriation to surplus reserves                           | V.30 | -                | -                           | -                  | -                                | 14,544              | -                       | (14,544)             | -              |
| - Appropriation to general risk reserves                      | V.31 | -                | -                           | -                  | -                                | -                   | 4,500                   | (4,500)              | -              |
| - Cash dividends to paid to ordinary shareholders             | V.32 | -                | -                           | -                  | -                                | -                   | -                       | (9,393)              | (9,393)        |
| - 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 |      | -                | -                           | -                  | 239                              | -                   | -                       | (239)                | -              |
| <b>Balance at 31 December 2023</b>                            |      | <u>29,352</u>    | <u>112,691</u>              | <u>81,712</u>      | <u>1,893</u>                     | <u>188,929</u>      | <u>98,000</u>           | <u>189,813</u>       | <u>702,390</u> |

The notes on pages 14 to 161 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 2022  
(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          |
|---------------------------------------------------------------|------|---------------|--------------------------|-----------------|----------------------------|------------------|----------------------|-------------------|----------------|
| <b>Balance at 1 January 2022</b>                              |      | 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)              | -              |
| <b>Balance at 31 December 2022</b>                            |      | <u>29,352</u> | <u>112,691</u>           | <u>81,712</u>   | <u>(3,007)</u>             | <u>174,385</u>   | <u>93,500</u>        | <u>190,909</u>    | <u>679,542</u> |

The notes on pages 14 to 161 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.  
Notes to the financial statements  
For the year ended 31 December 2023  
(Expressed in millions of RMB unless otherwise stated)

## **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 National Financial Regulatory Administration (the “NFRA”), 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 NFRA. 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 2023, 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 2023.

### III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the materiality of the financial statement disclosures, both in terms of nature and amount. In determining the materiality of the nature, the Group considers whether the matter is part of the Group's daily activities and whether it significantly affects the Group's financial position, financial performance, cash flows and other factors. In determining the materiality of the amount, the Group considers the proportion of the amount to the amount of the relevant items (such as total assets, total liabilities, total owners' equity, operating income, operating expenses, net profit, total comprehensive income), or to the amount of a separate item in the financial statements to which it belongs.

#### 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), the currency used for preparing financial statements is RMB. Items included in the financial statements of each of the Group's operations overseas 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 Criteria of control and preparation of 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 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 transactions and translation of foreign currency financial statements

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 Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

6 Criteria for determining cash and cash equivalents

Cash and cash equivalents refer to cash on hand, deposits that can be readily withdrawn 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 are 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.

## 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

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 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

In the Bank's individual financial statements, the Bank use the cost approach to measure long-term equity investments in subsidiaries. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current year.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses. For the impairment of the investments in subsidiaries, refer to Note III.21.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.4.

(b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.14(3)) and rights to the net assets of the arrangement. An associate is an entity over which the Group has significant influence (see Note III.14(3)). An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially



recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment of the investments in joint ventures and associates, refer to Note III.21.

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

## 15 Fixed assets

### (1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in supply of services for rental or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.16.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

### (2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life unless the fixed assets meet the conditions for holding for sale. The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

| <u>Class</u>                                 | <u>Estimated useful life</u> | <u>Residual value rate</u> | <u>Depreciation rate</u> |
|----------------------------------------------|------------------------------|----------------------------|--------------------------|
| Plant and buildings                          | 30 years                     | 3 - 5%                     | 3.17 - 3.23%             |
| Motor vehicles                               | 5 years                      | 3 - 5%                     | 19.00 - 19.40%           |
| Electronic computers<br>and other equipments | 3 - 5 years                  | 3 - 5%                     | 19.00 - 32.33%           |
| Plane and ship<br>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. The useful life of the land use right is 27 to 70 years. 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. The useful life of the software is 1 to 10 years.
- Brand 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 balance sheet 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). Goodwill is transferred out and recognized in the current period's profit or loss upon disposal of its related asset groups or asset group combinations.

21 Impairment of assets other than 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 dispose 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 the Group 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 Expenses

### *Interest expenses*

Interest expenses on financial liabilities are calculated based on the amortised cost of financial liabilities and the timing of capital occupation using the effective interest method, and is recognised in the corresponding period.

### *Other expenses*

Other expenses are recognised on an accrual basis.

## 28 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. 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 in the periods in which the expenses or losses are recognised. Or included in other income directly.

## 29 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 accrued 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

Basic pension insurance

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.

Annuity plan

The Group also participate in a defined contribution retirement benefit plan (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.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for certain retired employees, which is the defined benefit plans. The Group recognises its liabilities based on the actuarial results, the related actuarial gains and losses are recognised in other comprehensive income and shall not be reversed to profit or loss in subsequent accounting period.

(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.

## 30 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 temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is also 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.

## 31 Leases

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 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 economic 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 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 (leases with lower value when a single lease asset is a brand new asset). 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 are 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.

### 32 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.

### 33 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.

### 34 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 income 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 income 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 fund investments, equity investments, capital trust and asset management plans, asset-backed securities, financial products and other investments. 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 fund investments, equity investments, capital trust and asset management plans, asset-backed securities, financial products and other investments 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.

### 35 Changes in significant accounting policies

In 2023, the Group implemented the relevant provisions and guidelines of the Enterprise Accounting Standards issued by the Ministry of Finance in recent years, mainly including:

- (a) CAS 25 *Insurance Contracts* (Caikuai [2020] No.20) (the “New Insurance Standard”) and the related implementation Q&As

The New Insurance Standard has replaced CAS 25 Direct Insurance Contracts and CAS 26 Reinsurance Contracts that were issued in 2006, and Accounting Requirements for Insurance Contracts (Caikuai [2009] No.15) that was issued in 2009.

The Group does not have transactions related to insurance contracts. Applying the New Insurance Standard does not have a material impact on the financial position or financial performance of the Group.

- (b) “The accounting treatment of deferred tax related to assets and liabilities arising from a single transaction excluded from the scope of the initial recognition exemption” in CAS Bulletin No.16 (Caikuai [2022] No.31) (“CAS Bulletin No.16”)

According to the provisions, the Group does not apply the initial recognition exemption under CAS 18 Income Taxes to temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profits nor taxable profit (or deductible losses) and gives rise to equal taxable and deductible temporary differences, such as leases. When such transactions occur, the Group recognises the corresponding deferred tax liabilities for the new taxable temporary differences arising from the initial recognition of the transaction in accordance with relevant provisions in CAS 18 Income Tax.

In addition, the Group has sufficient deductible temporary differences, for which deferred tax assets have not yet been recognised, in the future periods when the aforementioned new taxable temporary differences are expected to reverse. Therefore, the Group has recognised additional deferred tax assets at the equal amount to the new deferred tax liabilities. The additional deferred tax assets and liabilities meet the conditions for offsetting and are presented on a net basis in the balance sheet. As a result of the net presentation, applying the above provisions does not have a material impact on the financial position or financial performance of the Group

#### IV TAXATION

The Bank and its domestic subsidiaries' main applicable taxes and tax rates are as follows:

|                                       |                                                                                                                                                                                                                                                                        |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Value-added tax (VAT)                 | Output VAT is calculated on 6%~13% of the product sales and taxable services revenue.<br>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 subsidiaries 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<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Cash                                    |      | 6,333               | 5,544               | 6,198               | 5,403               |
| Statutory reserves<br>with central bank | (1)  | 324,091             | 345,351             | 321,710             | 343,433             |
| Surplus reserves<br>with central bank   | (2)  | 206,375             | 105,479             | 204,313             | 103,168             |
| Fiscal deposits with<br>central bank    |      | 167                 | 544                 | 167                 | 544                 |
| Accrued interest                        |      | 165                 | 171                 | 165                 | 171                 |
| Total                                   |      | 537,131             | 457,089             | 532,553             | 452,719             |

(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<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Deposits with domestic<br>banks                              | 65,378              | 108,385             | 48,769              | 98,389              |
| Deposits with overseas<br>banks                              | 39,487              | 58,737              | 39,648              | 58,532              |
| Deposits with domestic<br>non-bank financial<br>institutions | 634                 | 906                 | 599                 | 906                 |
| Accrued interest                                             | 448                 | 382                 | 294                 | 296                 |
| Less: impairment allowance                                   | (194)               | (241)               | (114)               | (213)               |
| Total                                                        | 105,753             | 168,169             | 89,196              | 157,910             |

As at 31 December 2023 and 31 December 2022, the Group's due from banks and other financial institutions included refundable deposits and risk reserves, and were restricted in usage.

### 3 Placements with banks and other financial institutions

|                                                          | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                          | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Placements with domestic banks                           | 42,532              | 39,407              | 42,532              | 39,407              |
| Placements with overseas banks                           | 57,470              | 38,714              | 57,470              | 38,714              |
| Placements with domestic non-bank financial institutions | 346,351             | 282,110             | 355,417             | 288,456             |
| Placements with overseas non-bank financial institutions | 1,263               | 80                  | 1,263               | 134                 |
| Accrued interest                                         | 4,346               | 3,491               | 4,409               | 3,517               |
| Less: impairment allowance                               | (353)               | (328)               | (352)               | (326)               |
| Total                                                    | <u>451,609</u>      | <u>363,474</u>      | <u>460,739</u>      | <u>369,902</u>      |

### 4 Derivative financial instruments

#### The Group

|                                                | Notional amount | 31 December 2023 |                 |
|------------------------------------------------|-----------------|------------------|-----------------|
|                                                |                 | Fair value       |                 |
|                                                |                 | Assets           | Liabilities     |
| Interest rate derivatives                      | 4,694,725       | 17,002           | (16,037)        |
| Exchange rate derivatives                      | 2,213,084       | 16,508           | (18,251)        |
| Precious metal and other derivatives           | 666,916         | 22,801           | (18,005)        |
| Total                                          |                 | <u>56,311</u>    | <u>(52,293)</u> |
| Derivatives designated as hedging instruments: |                 |                  |                 |
| Fair value hedges                              |                 |                  |                 |
| - Interest rate swap contracts                 | 14,375          | 106              | (72)            |
| - Currency swap contracts                      | 7,447           | 18               | (39)            |
| Cash flow hedges                               |                 |                  |                 |
| - Interest rate swap contracts                 | 422             | 22               | -               |
| - Currency swap contracts                      | 52,760          | 117              | (135)           |
| Total                                          |                 | <u>263</u>       | <u>(246)</u>    |

| 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)       |
| Cash flow hedges                               |                 |            |             |
| - Interest rate swap contracts                 | 627             | 34         | -           |
| - Currency swap contracts                      | 20,788          | 134        | (148)       |
| Total                                          |                 | 713        | (248)       |

#### The Bank

| 31 December 2023                               |                 |            |             |
|------------------------------------------------|-----------------|------------|-------------|
|                                                | Notional amount | Fair value |             |
|                                                |                 | Assets     | Liabilities |
| Interest rate derivatives                      | 4,694,282       | 16,980     | (16,044)    |
| Exchange rate derivatives                      | 2,202,907       | 16,484     | (18,211)    |
| Precious metal and other derivatives           | 666,916         | 22,801     | (18,005)    |
| Total                                          |                 | 56,265     | (52,260)    |
| Derivatives designated as hedging instruments: |                 |            |             |
| Fair value hedges                              |                 |            |             |
| - Interest rate swap contracts                 | 14,375          | 106        | (72)        |
| Cash flow hedges                               |                 |            |             |
| - Currency swap contracts                      | 49,710          | 111        | (134)       |
| Total                                          |                 | 217        | (206)       |

|                                                | Notional amount | 31 December 2022 |             |
|------------------------------------------------|-----------------|------------------|-------------|
|                                                |                 | 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)       |
| Cash flow hedges                               |                 |                  |             |
| - Currency swap contracts                      | 18,111          | 109              | (131)       |
| Total                                          |                 | 654              | (231)       |

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.

#### Fair value hedges

The Group uses the interest rate swap instruments and currency swap instruments to hedge a portion of its exposure to changes in fair value due to changes in interest rates or changes in foreign exchange rates respectively. Hedged items include other debt investments, debentures payable and entrusted loans. The Group mainly adopts the regression analysis method and the key terms comparison method to evaluate the effectiveness of hedging. The management of the Group considers the hedging relationship is highly effective after the testing.

#### Cash flow hedges

The Group uses the interest rate swap instruments and currency swap instruments to hedge the cash flow fluctuations due to the interest rate risk and foreign currency risk respectively. Hedged items include loans to customers, debt investments, interbank lending, borrowings from banks and other financial institutions, issuance of interbank negotiable certificates of deposit and entrusted loans. The Group mainly adopts the regression analysis method and the key terms comparison method to evaluate the effectiveness of hedging. The management of the Group considers the hedging relationship is highly effective after the testing. In 2023 and 2022, gains and losses arising from the ineffective portion of hedges recognised in the cash flow hedges were not significant, and there were no instances of discontinuing the use of hedge accounting due to highly probable expected cash flows that are no longer expected to occur.

## 5 Financial assets purchased under resale agreements

### The Group and the Bank

|                            | 31 December<br>2023 | 31 December<br>2022 |
|----------------------------|---------------------|---------------------|
| Bonds                      | 38,184              | 111,366             |
| Discounted bills           | 6,473               | -                   |
| Accrued interest           | 76                  | 60                  |
| Less: impairment allowance | (14)                | (15)                |
| Total                      | <u>44,719</u>       | <u>111,411</u>      |

## 6 Loans and advances to customers

|                                                                                  | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                  | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Loans and advances to customers measured at:                                     |                     |                     |                     |                     |
| - amortized cost (a)                                                             | 4,639,222           | 4,371,902           | 4,525,042           | 4,262,596           |
| - FVOCI (b)                                                                      | 370,748             | 468,537             | 370,748             | 468,537             |
| - FVTPL (c)                                                                      | 7,784               | 60,223              | 7,784               | 60,223              |
| Subtotal                                                                         | <u>5,017,754</u>    | <u>4,900,662</u>    | <u>4,903,574</u>    | <u>4,791,356</u>    |
| Accrued interest                                                                 | <u>16,362</u>       | <u>16,309</u>       | <u>15,622</u>       | <u>15,693</u>       |
| Impairment allowances                                                            |                     |                     |                     |                     |
| - Loans and advances to customers measured at amortized cost                     | (128,424)           | (118,083)           | (121,634)           | (111,473)           |
| - Accrued interest of loans and advances to customers measured at amortized cost | (996)               | (538)               | (996)               | (536)               |
| Subtotal                                                                         | <u>(129,420)</u>    | <u>(118,621)</u>    | <u>(122,630)</u>    | <u>(112,009)</u>    |
| Net loans and advances to customers                                              | <u>4,904,696</u>    | <u>4,798,350</u>    | <u>4,796,566</u>    | <u>4,695,040</u>    |

|                                                                | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| (a) Loans and advances to customers measured at amortized cost |                     |                     |                     |                     |
| Corporates loans                                               |                     |                     |                     |                     |
| Commercial loans                                               | 2,653,881           | 2,392,505           | 2,554,375           | 2,298,480           |
| Trade finance                                                  | 118,868             | 85,865              | 118,868             | 85,865              |
| Discounted bills                                               | 651                 | 1,132               | 650                 | 1,132               |
| Retail loans                                                   |                     |                     |                     |                     |
| Mortgage loans                                                 | 838,152             | 872,127             | 832,371             | 865,791             |
| Business loans                                                 | 467,994             | 445,633             | 463,633             | 440,968             |
| Credit card and overdraft                                      | 385,617             | 433,693             | 385,617             | 433,693             |
| Consumer loans and others                                      | 174,059             | 140,947             | 169,528             | 136,667             |
| Subtotal                                                       | <u>4,639,222</u>    | <u>4,371,902</u>    | <u>4,525,042</u>    | <u>4,262,596</u>    |
| (b) Loans and advances to customers measured at FVOCI          |                     |                     |                     |                     |
| Corporates loans                                               |                     |                     |                     |                     |
| Trade finance                                                  | 62,588              | 68,727              | 62,588              | 68,727              |
| Discounted bills                                               | 308,160             | 399,810             | 308,160             | 399,810             |
| Subtotal                                                       | <u>370,748</u>      | <u>468,537</u>      | <u>370,748</u>      | <u>468,537</u>      |
| (c) Loans and advances to customers measured at FVTPL          |                     |                     |                     |                     |
| Corporates loans                                               |                     |                     |                     |                     |
| Trade finance                                                  | 5,662               | 50,961              | 5,662               | 50,961              |
| Discounted bills                                               | 2,122               | 9,262               | 2,122               | 9,262               |
| Subtotal                                                       | <u>7,784</u>        | <u>60,223</u>       | <u>7,784</u>        | <u>60,223</u>       |
| Total loans and advances to customers                          | <u>5,017,754</u>    | <u>4,900,662</u>    | <u>4,903,574</u>    | <u>4,791,356</u>    |

## 6.1 Loans and advances to customers analysed by industry

### The Group

|                                                                 | 31 December 2023 |               | 31 December 2022 |               |
|-----------------------------------------------------------------|------------------|---------------|------------------|---------------|
|                                                                 | Amount           | Rate (%)      | Amount           | Rate (%)      |
| <b>Corporate loans</b>                                          |                  |               |                  |               |
| Manufacturing                                                   | 572,695          | 11.42         | 472,245          | 9.64          |
| Lease and commercial service                                    | 548,048          | 10.92         | 469,945          | 9.59          |
| Real estate                                                     | 345,744          | 6.89          | 322,036          | 6.57          |
| Water conservancy, environment and public facilities management | 196,775          | 3.92          | 191,308          | 3.90          |
| Financial services                                              | 193,704          | 3.86          | 235,797          | 4.81          |
| Transportation, warehouse and postal services                   | 193,132          | 3.85          | 190,118          | 3.88          |
| Wholesale and retail                                            | 189,398          | 3.77          | 159,972          | 3.26          |
| Construction                                                    | 176,645          | 3.52          | 157,220          | 3.21          |
| Electricity, heat, gas, water production and supply             | 165,020          | 3.29          | 161,222          | 3.29          |
| Mining                                                          | 78,825           | 1.57          | 70,194           | 1.43          |
| Information transmission, software and IT services              | 75,275           | 1.50          | 66,636           | 1.36          |
| Research and technology services                                | 36,334           | 0.72          | 31,425           | 0.64          |
| Culture, sports and entertainment                               | 20,169           | 0.40          | 19,094           | 0.39          |
| Education                                                       | 16,443           | 0.33          | 14,937           | 0.30          |
| Healthcare and social welfare                                   | 13,420           | 0.27          | 12,665           | 0.26          |
| Agriculture, forestry, farming and fishery                      | 12,721           | 0.25          | 14,202           | 0.29          |
| Hotels and catering services                                    | 5,043            | 0.10          | 6,652            | 0.14          |
| Residential services, repairs and other services                | 1,288            | 0.03          | 1,850            | 0.04          |
| Others                                                          | 320              | 0.01          | 540              | 0.02          |
| <b>Subtotal</b>                                                 | <b>2,840,999</b> | <b>56.62</b>  | <b>2,598,058</b> | <b>53.02</b>  |
| <b>Discounted bills</b>                                         | <b>310,933</b>   | <b>6.20</b>   | <b>410,204</b>   | <b>8.37</b>   |
| <b>Retail loans</b>                                             | <b>1,865,822</b> | <b>37.18</b>  | <b>1,892,400</b> | <b>38.61</b>  |
| <b>Total</b>                                                    | <b>5,017,754</b> | <b>100.00</b> | <b>4,900,662</b> | <b>100.00</b> |

The Bank

|                                                                 | 31 December 2023 |                 | 31 December 2022 |                 |
|-----------------------------------------------------------------|------------------|-----------------|------------------|-----------------|
|                                                                 | <u>Amount</u>    | <u>Rate (%)</u> | <u>Amount</u>    | <u>Rate (%)</u> |
| <b>Corporate loans</b>                                          |                  |                 |                  |                 |
| Manufacturing                                                   | 549,615          | 11.22           | 456,864          | 9.53            |
| Lease and commercial service                                    | 543,491          | 11.08           | 468,176          | 9.76            |
| Real estate                                                     | 345,727          | 7.05            | 322,019          | 6.71            |
| Water conservancy, environment and public facilities management | 194,741          | 3.97            | 187,423          | 3.91            |
| Financial services                                              | 196,769          | 4.01            | 237,548          | 4.95            |
| Transportation, warehouse and postal services                   | 157,999          | 3.22            | 156,097          | 3.26            |
| Wholesale and retail                                            | 186,732          | 3.81            | 156,926          | 3.28            |
| Construction                                                    | 171,831          | 3.50            | 152,750          | 3.19            |
| Electricity, heat, gas, water production and supply             | 145,914          | 2.98            | 138,747          | 2.90            |
| Mining                                                          | 73,462           | 1.50            | 64,988           | 1.36            |
| Information transmission, software and IT services              | 73,012           | 1.49            | 65,535           | 1.37            |
| Research and technology services                                | 35,014           | 0.71            | 31,258           | 0.65            |
| Culture, sports and entertainment                               | 19,737           | 0.40            | 18,676           | 0.39            |
| Education                                                       | 16,287           | 0.33            | 14,753           | 0.31            |
| Healthcare and social welfare                                   | 13,215           | 0.27            | 12,495           | 0.26            |
| Agriculture, forestry, farming and fishery                      | 11,522           | 0.23            | 10,929           | 0.23            |
| Hotels and catering services                                    | 4,879            | 0.10            | 6,508            | 0.14            |
| Residential services, repairs and other services                | 1,246            | 0.03            | 1,804            | 0.04            |
| Others                                                          | 300              | 0.01            | 537              | 0.02            |
| <b>Subtotal</b>                                                 | <b>2,741,493</b> | <b>55.91</b>    | <b>2,504,033</b> | <b>52.26</b>    |
| <b>Discounted bills</b>                                         | <b>310,932</b>   | <b>6.34</b>     | <b>410,204</b>   | <b>8.56</b>     |
| <b>Retail loans</b>                                             | <b>1,851,149</b> | <b>37.75</b>    | <b>1,877,119</b> | <b>39.18</b>    |
| <b>Total</b>                                                    | <b>4,903,574</b> | <b>100.00</b>   | <b>4,791,356</b> | <b>100.00</b>   |



## 6.2 Loans and advances to customers analysed by collateral type

|                      | The Group        |                  | The Bank         |                  |
|----------------------|------------------|------------------|------------------|------------------|
|                      | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Unsecured loans      | 1,967,646        | 2,057,153        | 1,932,734        | 2,015,028        |
| Guaranteed loans     | 1,048,876        | 941,698          | 995,336          | 897,598          |
| Collateralized loans | 1,770,621        | 1,661,258        | 1,755,742        | 1,645,324        |
| Pledged loans        | 230,611          | 240,553          | 219,762          | 233,406          |
| Total                | 5,017,754        | 4,900,662        | 4,903,574        | 4,791,356        |

## 6.3 Overdue loans and advances to customers

### The Group

|                      | 31 December 2023                           |                                               |                                                |                       | Total   |
|----------------------|--------------------------------------------|-----------------------------------------------|------------------------------------------------|-----------------------|---------|
|                      | 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 |         |
| Unsecured loans      | 16,668                                     | 12,325                                        | 1,585                                          | 1,708                 | 32,286  |
| Guaranteed loans     | 5,181                                      | 5,823                                         | 10,304                                         | 1,063                 | 22,371  |
| Collateralized loans | 16,278                                     | 14,004                                        | 9,605                                          | 1,946                 | 41,833  |
| Pledged loans        | 643                                        | 316                                           | 3,462                                          | 416                   | 4,837   |
| Total                | 38,770                                     | 32,468                                        | 24,956                                         | 5,133                 | 101,327 |

|                      | 31 December 2022                           |                                               |                                                |                       | Total   |
|----------------------|--------------------------------------------|-----------------------------------------------|------------------------------------------------|-----------------------|---------|
|                      | 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 |         |
| 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 |

The Bank

| 31 December 2023        |                                                     |                                                           |                                                            |                             |        |
|-------------------------|-----------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------|-----------------------------|--------|
|                         | Past due up to<br>90 days<br>(including<br>90 days) | Past due<br>90 days<br>to 1 year<br>(including<br>1 year) | Past due<br>1 year<br>to 3 years<br>(including<br>3 years) | Past due<br>over<br>3 years | Total  |
| Unsecured<br>loans      | 16,224                                              | 12,221                                                    | 1,346                                                      | 876                         | 30,667 |
| Guaranteed<br>loans     | 5,049                                               | 5,672                                                     | 9,896                                                      | 958                         | 21,575 |
| Collateralized<br>loans | 16,185                                              | 13,608                                                    | 9,462                                                      | 1,933                       | 41,188 |
| Pledged loans           | 643                                                 | 316                                                       | 3,461                                                      | 416                         | 4,836  |
| Total                   | 38,101                                              | 31,817                                                    | 24,165                                                     | 4,183                       | 98,266 |

| 31 December 2022        |                                                     |                                                           |                                                            |                             |         |
|-------------------------|-----------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------|-----------------------------|---------|
|                         | Past due up to<br>90 days<br>(including<br>90 days) | Past due<br>90 days<br>to 1 year<br>(including<br>1 year) | Past due<br>1 year<br>to 3 years<br>(including<br>3 years) | Past due<br>over<br>3 years | Total   |
| Unsecured<br>loans      | 16,337                                              | 12,910                                                    | 2,026                                                      | 1,272                       | 32,545  |
| Guaranteed<br>loans     | 6,346                                               | 7,663                                                     | 8,659                                                      | 2,095                       | 24,763  |
| Collateralized<br>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 |

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

#### 6.4 Movements of ECL allowance

##### (a) Movements of ECL allowance of loans and advances to customers at amortized cost

The Group

|                                                              | Note | Stage 1<br>12-month<br>ECL | Stage 2<br>Life-time<br>ECL | Stage 3<br>Life-time<br>ECL | Total    |
|--------------------------------------------------------------|------|----------------------------|-----------------------------|-----------------------------|----------|
| Balance at 1 January 2023                                    |      | 38,285                     | 23,056                      | 56,742                      | 118,083  |
| Transfers during the year:                                   |      |                            |                             |                             |          |
| - Transfer to stage 1                                        |      | 2,664                      | (2,390)                     | (274)                       | -        |
| - Transfer to stage 2                                        |      | (2,676)                    | 4,175                       | (1,499)                     | -        |
| - Transfer to stage 3                                        |      | (1,250)                    | (11,798)                    | 13,048                      | -        |
| Net increase for the year                                    | (1)  | 1,818                      | 8,255                       | 45,916                      | 55,989   |
| Written-offs and disposals during the year                   |      | -                          | -                           | (56,783)                    | (56,783) |
| Recovery of loans and advances written off in previous years |      | -                          | -                           | 10,980                      | 10,980   |
| Others                                                       |      | 6                          | -                           | 149                         | 155      |
| Balance at 31 December 2023                                  |      | 38,847                     | 21,298                      | 68,279                      | 128,424  |

|                                                              | Note | Stage 1<br>12-month<br>ECL | Stage 2<br>Life-time<br>ECL | Stage 3<br>Life-time<br>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  |

The Bank

|                                                              | Note | Stage 1<br>12-month<br>ECL | Stage 2<br>Life-time<br>ECL | Stage 3<br>Life-time<br>ECL | Total    |
|--------------------------------------------------------------|------|----------------------------|-----------------------------|-----------------------------|----------|
| Balance at 1 January 2023                                    |      | 35,324                     | 21,533                      | 54,616                      | 111,473  |
| Transfers during the year:                                   |      |                            |                             |                             |          |
| - Transfer to stage 1                                        |      | 2,633                      | (2,363)                     | (270)                       | -        |
| - Transfer to stage 2                                        |      | (2,564)                    | 4,035                       | (1,471)                     | -        |
| - Transfer to stage 3                                        |      | (1,241)                    | (11,712)                    | 12,953                      | -        |
| Net increase for the year                                    | (1)  | 1,876                      | 7,958                       | 45,487                      | 55,321   |
| Written-offs and disposals during the year                   |      | -                          | -                           | (56,186)                    | (56,186) |
| Recovery of loans and advances written off in previous years |      | -                          | -                           | 10,929                      | 10,929   |
| Others                                                       |      | 4                          | -                           | 93                          | 97       |
| Balance at 31 December 2023                                  |      | 36,032                     | 19,451                      | 66,151                      | 121,634  |

|                                                              | Note | Stage 1<br>12-month<br>ECL | Stage 2<br>Life-time<br>ECL | Stage 3<br>Life-time<br>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  |

- (1) This item includes changes of Probability of Default ("PD"), Exposure At Default ("EAD"), Loss Given Default ("LGD") due to routine updates to model parameters, and the impact of stage changes on the measurement of ECL.
- (2) Financial instruments whose credit risks haven't significantly increased since the initial recognition are classified into stage 1, then they will be transferred into stage 2 if their credit risks have significantly increased since the initial recognition with no objective evidence for impairment, and will be further transferred into stage 3 where there is objective impairment evidence on the balance sheet date. Refer to Note XII 1.(3) for ECL measurement.

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

The Group and the Bank

|                                      | <u>Stage 1</u><br>12-month<br>ECL | <u>Stage 2</u><br>Life-time<br>ECL | <u>Stage 3</u><br>Life-time<br>ECL | <u>Total</u> |
|--------------------------------------|-----------------------------------|------------------------------------|------------------------------------|--------------|
| Balance at 1 January 2023            | 583                               | -                                  | 8                                  | 591          |
| Transfers during the year:           |                                   |                                    |                                    |              |
| - to stage 1                         | -                                 | -                                  | -                                  | -            |
| - to stage 2                         | -                                 | -                                  | -                                  | -            |
| - to stage 3                         | -                                 | -                                  | -                                  | -            |
| Net (decrease)/increase for the year | (272)                             | 4                                  | (8)                                | (276)        |
| Balance at 31 December 2023          | 311                               | 4                                  | -                                  | 315          |

|                                        | <u>Stage 1</u><br>12-month<br>ECL | <u>Stage 2</u><br>Life-time<br>ECL | <u>Stage 3</u><br>Life-time<br>ECL | <u>Total</u> |
|----------------------------------------|-----------------------------------|------------------------------------|------------------------------------|--------------|
| 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          |

7 Financial investments

|                            | Note | <u>The Group</u> |                  | <u>The Bank</u>  |                  |
|----------------------------|------|------------------|------------------|------------------|------------------|
|                            |      | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Trading assets             | (a)  | 780,226          | 708,984          | 740,523          | 636,751          |
| Debt investments           | (b)  | 1,271,082        | 1,196,691        | 1,208,379        | 1,193,150        |
| Other debt investments     | (c)  | 618,017          | 641,918          | 606,606          | 633,808          |
| Other equity investments   | (d)  | 6,730            | 7,870            | 6,730            | 7,870            |
| Financial investments, net |      | 2,676,055        | 2,555,463        | 2,562,238        | 2,471,579        |

(a) Trading assets

|                                                                      | Note | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                                                                      |      | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Fund investments                                                     |      | 434,606             | 358,185             | 491,401             | 425,803             |
| Government bonds                                                     |      | 63,521              | 54,617              | 63,521              | 54,454              |
| Beneficiary<br>certificates of<br>securities<br>companies            |      | 39,723              | 20,348              | 39,723              | 20,348              |
| Corporate bonds                                                      |      | 21,435              | 38,413              | 21,190              | 37,744              |
| Equity investment                                                    |      | 17,329              | 19,140              | 12,318              | 11,781              |
| Trust and asset<br>management<br>plans                               |      | 14,801              | 14,112              | 86,671              | 58,221              |
| Bonds issued by<br>financial<br>institutions                         |      | 10,288              | 8,812               | 7,551               | 6,771               |
| Bonds issued by<br>policy banks                                      |      | 5,150               | 4,932               | 5,150               | 4,932               |
| Deposit certificates<br>issued by other<br>financial<br>institutions |      | 3,303               | 5,296               | 3,303               | 5,296               |
| Assets backed<br>securities ("ABS")                                  |      | 2,290               | 4,683               | 2,290               | 4,683               |
| Other investment                                                     | (1)  | 167,780             | 180,446             | 7,405               | 6,718               |
| Total                                                                |      | <u>780,226</u>      | <u>708,984</u>      | <u>740,523</u>      | <u>636,751</u>      |

- (1) Other investments mainly include the Group's investments in structured entities included in the scope of consolidation, the long-term employee benefits payable to Changjiang Pension Insurance Co., Ltd. for investment entrusted by the Group and other wealth management products. The Group's investments in structured entities included in the scope of consolidation include fund products, trust and asset management plans controlled by the Group, which are mainly invested in assets such as various types of bonds and equity investments with third-party repurchase arrangements; as at 31 December 2023, the size of the underlying assets of the Group's above investments in the structured entities included in the scope of consolidation amounted to RMB 159,916 million (as at 31 December 2022: RMB 172,036 million).

(b) Debt investments

|                                                             | Note | The Group        |                  | The Bank         |                  |
|-------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                                             |      | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Government bonds                                            |      | 583,862          | 563,491          | 583,862          | 563,081          |
| Trust and asset management plans                            |      |                  |                  |                  |                  |
| - Loans                                                     |      | 160,432          | 199,085          | 156,828          | 196,703          |
| - ABS                                                       |      | 124,562          | 191,872          | 124,562          | 191,872          |
| - Others                                                    |      | 993              | 1,907            | 993              | 1,907            |
| Bonds issued by policy banks                                |      | 270,330          | 198,999          | 270,330          | 198,999          |
| Bonds issued by financial institutions                      |      | 50,006           | 31,910           | 50,006           | 31,910           |
| Corporate bonds                                             |      | 30,812           | 12,381           | 30,767           | 12,333           |
| Deposit certificates issued by other financial institutions |      | 2,602            | 1,656            | 2,154            | 1,656            |
| ABS                                                         |      | 208              | 261              | 86               | 128              |
| Other debt instrument                                       | (1)  | 57,903           | 177              | -                | -                |
| Subtotal                                                    |      | <u>1,281,710</u> | <u>1,201,739</u> | <u>1,219,588</u> | <u>1,198,589</u> |
|                                                             |      | -                | -                | -                | -                |
| Accrued interest                                            |      | <u>17,874</u>    | <u>14,424</u>    | <u>17,178</u>    | <u>14,353</u>    |
|                                                             |      | -                | -                | -                | -                |
| Impairment allowance                                        |      |                  |                  |                  |                  |
| - Principal of debt investments                             |      | (28,345)         | (19,431)         | (28,236)         | (19,752)         |
| - Accrued interest of debt investments                      |      | (157)            | (41)             | (151)            | (40)             |
| Subtotal of impairment allowance                            |      | <u>(28,502)</u>  | <u>(19,472)</u>  | <u>(28,387)</u>  | <u>(19,792)</u>  |
|                                                             |      | =                | =                | =                | =                |
| Financial investments at amortized cost, net                |      | <u>1,271,082</u> | <u>1,196,691</u> | <u>1,208,379</u> | <u>1,193,150</u> |

- (1) Other investments mainly consist of investments in structured entities and other debt investments that the Group included in the scope of consolidation. The Group's investments in structured entities included in the scope of consolidation were asset management plans controlled by the Group, which are mainly invested in various types of bonds; as at 31 December 2023, the size of the underlying assets of the Group's above investments in the structured entities included in the scope of consolidation amounted to RMB 57,600 million (as at 31 December 2022: Nil).



(i) Movement for ECL allowance of debt investments:

The Group

|                                              | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u>  |
|----------------------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------|
| Balance at 1 January 2023                    | 2,109                          | 1,081                           | 16,241                          | 19,431        |
| Transfers for the year:                      |                                |                                 |                                 |               |
| - to stage 1                                 | 292                            | (292)                           | -                               | -             |
| - to stage 2                                 | (104)                          | 559                             | (455)                           | -             |
| - to stage 3                                 | (95)                           | (887)                           | 982                             | -             |
| Net (decrease)/increase for the year         | (1,241)                        | 590                             | 13,547                          | 12,896        |
| Write-off and disposals during the year      | -                              | -                               | (4,035)                         | (4,035)       |
| Recovery of original written off investments | -                              | -                               | 48                              | 48            |
| Others                                       | 1                              | -                               | 4                               | 5             |
| Balance at 31 December 2023                  | <u>962</u>                     | <u>1,051</u>                    | <u>26,332</u>                   | <u>28,345</u> |
|                                              | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u>  |
| 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                  | <u>2,109</u>                   | <u>1,081</u>                    | <u>16,241</u>                   | <u>19,431</u> |

The Bank

|                                                              | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u>  |
|--------------------------------------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------|
| Balance at 1 January 2023                                    | 2,054                          | 1,056                           | 16,642                          | 19,752        |
| Transfers for the year:                                      |                                |                                 |                                 |               |
| - to stage 1                                                 | 292                            | (292)                           | -                               | -             |
| - to stage 2                                                 | (104)                          | 559                             | (455)                           | -             |
| - to stage 3                                                 | (52)                           | (861)                           | 913                             | -             |
| Net (decrease)/increase for the year                         | (1,251)                        | 584                             | 13,133                          | 12,466        |
| Write-off and disposals during the year                      | -                              | -                               | (4,035)                         | (4,035)       |
| Recovery of loans and advances written off in previous years | -                              | -                               | 48                              | 48            |
| Others                                                       | 1                              | -                               | 4                               | 5             |
| Balance at 31 December 2023                                  | <u>940</u>                     | <u>1,046</u>                    | <u>26,250</u>                   | <u>28,236</u> |

|                                         | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u>  |
|-----------------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------|
| 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             | <u>2,054</u>                   | <u>1,056</u>                    | <u>16,642</u>                   | <u>19,752</u> |

(c) Other debt investments

|                                                                   | The Group           |                     | The Bank            |                     |
|-------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                   | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Government bonds                                                  | 286,412             | 250,527             | 283,385             | 247,212             |
| Corporate bonds                                                   | 122,163             | 103,102             | 113,796             | 98,955              |
| Bonds issued by<br>financial                                      | 82,357              | 84,877              | 82,406              | 84,256              |
| Bonds issued by<br>policy banks                                   | 79,886              | 102,645             | 79,886              | 102,645             |
| Deposit certificates<br>issued by other<br>financial institutions | 33,438              | 91,035              | 33,438              | 91,035              |
| ABS                                                               | 6,302               | 2,886               | 6,302               | 2,886               |
| Asset management<br>plans                                         | 20                  | -                   | -                   | -                   |
| Subtotal                                                          | 610,578             | 635,072             | 599,213             | 626,989             |
| Accrued interest                                                  | 7,439               | 6,846               | 7,393               | 6,819               |
| Total                                                             | 618,017             | 641,918             | 606,606             | 633,808             |

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

The Group

|                                            | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
|--------------------------------------------|--------------------------------|---------------------------------|---------------------------------|--------------|
| Balance at 1 January<br>2023               | 590                            | 227                             | 2,921                           | 3,738        |
| Transfers for the year:                    |                                |                                 |                                 |              |
| - to stage 1                               | 1                              | (1)                             | -                               | -            |
| - to stage 2                               | (22)                           | 22                              | -                               | -            |
| - to stage 3                               | (27)                           | (126)                           | 153                             | -            |
| Net (decrease)/<br>increase for the year   | (118)                          | 92                              | 2,602                           | 2,576        |
| Write-off and disposals<br>during the year | -                              | -                               | (366)                           | (366)        |
| Others                                     | 4                              | 2                               | 21                              | 27           |
| Balance at<br>31 December 2023             | 428                            | 216                             | 5,331                           | 5,975        |

|                                         | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
|-----------------------------------------|--------------------------------|---------------------------------|---------------------------------|--------------|
| 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        |
| 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        |

The Bank

|                                         | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
|-----------------------------------------|--------------------------------|---------------------------------|---------------------------------|--------------|
| Balance at 1 January 2023               | 530                            | 193                             | 2,476                           | 3,199        |
| Transfer for the year:                  |                                |                                 |                                 |              |
| - to stage 1                            | 1                              | (1)                             | -                               | -            |
| - to stage 2                            | (14)                           | 14                              | -                               | -            |
| - to stage 3                            | -                              | (115)                           | 115                             | -            |
| Net (decrease)/increase for the year    | (142)                          | 87                              | 2,530                           | 2,475        |
| Write-off and disposals during the year | -                              | -                               | (230)                           | (230)        |
| Others                                  | 3                              | 2                               | 14                              | 19           |
| Balance at 31 December 2023             | 378                            | 180                             | 4,905                           | 5,463        |

|                                         | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
|-----------------------------------------|--------------------------------|---------------------------------|---------------------------------|--------------|
| 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 disposals during the year | -                              | -                               | (65)                            | (65)         |
| Others                                  | 14                             | 4                               | 30                              | 48           |
| Balance at 31 December 2022             | 530                            | 193                             | 2,476                           | 3,199        |

(d) Other equity investments

The Group and the Bank

|                               | 31 December<br><u>2023</u> | 31 December<br><u>2022</u> |
|-------------------------------|----------------------------|----------------------------|
| Other investment              | 5,164                      | 5,170                      |
| Reposessed equity instruments | <u>1,566</u>               | <u>2,700</u>               |
| Total                         | <u>6,730</u>               | <u>7,870</u>               |

- (1) The Group and the Bank designated certain equity investments that are not held for trading as financial assets at fair value through other comprehensive income.
- (2) In 2023, the Group and the Bank recognised dividend income from investments in such equity instruments of RMB 67 million (2022: RMB 121 million). In 2023, the Group and the Bank recognised the accumulated losses of RMB 239 million (2022: recognised the accumulated losses of RMB 45 million) transferred from other comprehensive income to the retained earnings on the disposal of investments in such equity instruments.

8 Long-term equity investments

8.1 The classification of long-term equity investments is as follow:

|                               | Note | The Group           |                     | The Bank            |                     |
|-------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                               |      | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Investments in joint ventures | VI.2 | 2,458               | 2,319               | 2,458               | 2,319               |
| Investments in associate      | VI.2 | 367                 | 336                 | -                   | -                   |
| Investment in subsidiaries    |      | <u>-</u>            | <u>-</u>            | <u>29,310</u>       | <u>29,307</u>       |
| Total                         |      | <u>2,825</u>        | <u>2,655</u>        | <u>31,768</u>       | <u>31,626</u>       |

## 8.2 The changes in long-term equity investments are as follows:

### The Group

|                                           | 1 January<br>2023 | Increase in<br>investments | Net income<br>adjusted by<br>equity method | OCI adjusted<br>by equity<br>method | Declared<br>cash<br>dividends | Other<br>change | 31<br>December<br>2023 |
|-------------------------------------------|-------------------|----------------------------|--------------------------------------------|-------------------------------------|-------------------------------|-----------------|------------------------|
| AXA SPDB Investment<br>Managers Co., Ltd. | 1,286             |                            | 151                                        | -                                   | (51)                          | -               | 1,386                  |
| SPDB Silcon Valley Bank                   | 1,033             | -                          | 35                                         | (1)                                 | -                             | 5               | 1,072                  |
| Others                                    | 336               | -                          | 37                                         | -                                   | (6)                           | -               | 367                    |
| <b>Total</b>                              | <b>2,655</b>      | <b>-</b>                   | <b>223</b>                                 | <b>(1)</b>                          | <b>(57)</b>                   | <b>5</b>        | <b>2,825</b>           |

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

The Group and the Bank conduct impairment tests on long-term equity investments, and the recoverable amount is determined based on the present value of the expected future cash flows of the relevant subsidiaries. The expected future cash flows are determined based on financial forecasts approved by the management of the corresponding subsidiaries. The average growth rate, discount rate, and other assumptions used to forecast cash flows all reflect the specific risks associated with them.

## 9 Fixed assets

### The Group

|                                              | <u>Plant and<br/>buildings</u> | <u>Motor<br/>vehicles</u> | <u>Electronic<br/>computers<br/>and other<br/>equipments</u> | <u>Plane<br/>and ship<br/>equipments</u> | <u>Total</u> |
|----------------------------------------------|--------------------------------|---------------------------|--------------------------------------------------------------|------------------------------------------|--------------|
| Cost                                         |                                |                           |                                                              |                                          |              |
| 1 January 2022                               | 14,139                         | 449                       | 9,809                                                        | 23,419                                   | 47,816       |
| Additions                                    | 341                            | 25                        | 1,482                                                        | 3,722                                    | 5,570        |
| Transferred from construction<br>in progress | 2,942                          | -                         | 6                                                            | -                                        | 2,948        |
| Disposals                                    | (137)                          | (30)                      | (580)                                                        | -                                        | (747)        |
| 31 December 2022                             | 17,285                         | 444                       | 10,717                                                       | 27,141                                   | 55,587       |
| Additions                                    | 1,035                          | 15                        | 1,351                                                        | 6,156                                    | 8,557        |
| Transferred from construction<br>in progress | 3,274                          | -                         | 9                                                            | -                                        | 3,283        |
| Disposals                                    | (126)                          | (23)                      | (663)                                                        | -                                        | (812)        |
| 31 December 2023                             | 21,468                         | 436                       | 11,414                                                       | 33,297                                   | 66,615       |
| Accumulated depreciation                     |                                |                           |                                                              |                                          |              |
| 1 January 2022                               | (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)     |
| Charge                                       | (625)                          | (27)                      | (1,367)                                                      | (1,500)                                  | (3,519)      |
| Disposals                                    | 43                             | 21                        | 616                                                          | -                                        | 680          |
| 31 December 2023                             | (6,174)                        | (356)                     | (8,107)                                                      | (6,632)                                  | (21,269)     |
| Impairment allowance                         |                                |                           |                                                              |                                          |              |
| 1 January 2022                               | -                              | -                         | -                                                            | -                                        | -            |
| Change                                       | -                              | -                         | -                                                            | -                                        | -            |
| 31 December 2022                             | -                              | -                         | -                                                            | -                                        | -            |
| Change                                       | -                              | -                         | -                                                            | (38)                                     | (38)         |
| 31 December 2023                             | -                              | -                         | -                                                            | (38)                                     | (38)         |
| Net book value                               |                                |                           |                                                              |                                          |              |
| 31 December 2023                             | 15,294                         | 80                        | 3,307                                                        | 26,627                                   | 45,308       |
| 31 December 2022                             | 11,693                         | 94                        | 3,361                                                        | 22,009                                   | 37,157       |

## The Bank

|                                               | Plant and<br>buildings | Motor<br>vehicles | Electronic<br>computers<br>and other<br>equipments | Total    |
|-----------------------------------------------|------------------------|-------------------|----------------------------------------------------|----------|
| Cost                                          |                        |                   |                                                    |          |
| 1 January 2022                                | 13,526                 | 417               | 9,517                                              | 23,460   |
| Additions                                     | 341                    | 23                | 1,441                                              | 1,805    |
| Transferred from<br>constructions in progress | 2,942                  | -                 | 6                                                  | 2,948    |
| Disposals                                     | (8)                    | (27)              | (562)                                              | (597)    |
| 31 December 2022                              | 16,801                 | 413               | 10,402                                             | 27,616   |
| Additions                                     | 1,035                  | 12                | 1,314                                              | 2,361    |
| Transferred from<br>construction in progress  | 3,274                  | -                 | 9                                                  | 3,283    |
| Disposals                                     | (108)                  | (19)              | (594)                                              | (721)    |
| 31 December 2023                              | 21,002                 | 406               | 11,131                                             | 32,539   |
| Accumulated                                   |                        |                   |                                                    |          |
| 1 January 2022                                | (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) |
| Charge                                        | (613)                  | (24)              | (1,345)                                            | (1,982)  |
| Disposals                                     | 43                     | 17                | 564                                                | 624      |
| 31 December 2023                              | (6,025)                | (332)             | (7,896)                                            | (14,253) |
| Net book value                                |                        |                   |                                                    |          |
| 31 December 2023                              | 14,977                 | 74                | 3,235                                              | 18,286   |
| 31 December 2022                              | 11,346                 | 88                | 3,287                                              | 14,721   |

As of December 31, 2023, the plant and buildings with original cost of RMB 5,351 million (December 31, 2022: RMB 1,215 million ) and net book value of RMB 5,137 million (December 31, 2022: RMB 1,126 million ) were already in use by the Group and the Bank while the property registration were still in progress.

The Group regularly performs impairment testing on certain fixed assets leased out under operating leases. If the results of the impairment testing indicate that the recoverable amount of an asset is less than its carrying amount, a provision for impairment is made in accordance with the differences and recognised in impairment losses. The recoverable amount of an asset is the higher of its fair value less costs to sell and its present value of expected future cash flows. The management obtained the value of the assets at the end of the lease term from a professional evaluation authority, the costs of disposal include legal costs, related taxes and other expenses. In calculating the present value of the expected future cash flows from the assets, the management uses the rental amount agreed in the lease contract and the value of the assets at the end of the lease term as the basis for the estimate of future cash flows and selects an appropriate discount rate to determine the present value of the future cash flows, as well as estimating the future cash flows under different scenarios for certain lessees. Except for certain fixed assets leased out under operating leases as mentioned above, there were no significant indications of impairment of the Group's other fixed assets at the end of 2023 and 2022.



10 Lease

(1) Right-of-use assets

The Group

|                          | <u>Plant &amp; buildings</u> | <u>Equipment &amp; other</u> | <u>Total</u>   |
|--------------------------|------------------------------|------------------------------|----------------|
| Cost                     |                              |                              |                |
| 1 January 2022           | 16,859                       | 138                          | 16,997         |
| Additions                | 2,522                        | 33                           | 2,555          |
| Disposals                | (2,383)                      | (19)                         | (2,402)        |
|                          | <hr/>                        | <hr/>                        | <hr/>          |
| 31 December 2022         | 16,998                       | 152                          | 17,150         |
| Additions                | 2,196                        | 10                           | 2,206          |
| Disposals                | (2,930)                      | (25)                         | (2,955)        |
|                          | <hr/>                        | <hr/>                        | <hr/>          |
| 31 December 2023         | <u>16,264</u>                | <u>137</u>                   | <u>16,401</u>  |
| Accumulated amortisation |                              |                              |                |
| 1 January 2022           | (8,365)                      | (72)                         | (8,437)        |
| Charge                   | (2,919)                      | (29)                         | (2,948)        |
| Disposals                | 2,238                        | 19                           | 2,257          |
|                          | <hr/>                        | <hr/>                        | <hr/>          |
| 31 December 2022         | (9,046)                      | (82)                         | (9,128)        |
| Charge                   | (2,896)                      | (27)                         | (2,923)        |
| Disposals                | 2,776                        | 24                           | 2,800          |
|                          | <hr/>                        | <hr/>                        | <hr/>          |
| 31 December 2023         | <u>(9,166)</u>               | <u>(85)</u>                  | <u>(9,251)</u> |
| Net book value           |                              |                              |                |
| 31 December 2023         | <u>7,098</u>                 | <u>52</u>                    | <u>7,150</u>   |
| 31 December 2022         | <u>7,952</u>                 | <u>70</u>                    | <u>8,022</u>   |

The Bank

|                          | <u>Plant &amp; buildings</u> | <u>Equipment &amp; other</u> | <u>Total</u> |
|--------------------------|------------------------------|------------------------------|--------------|
| Cost                     |                              |                              |              |
| 1 January 2022           | 16,114                       | 138                          | 16,252       |
| Additions                | 2,322                        | 33                           | 2,355        |
| Disposals                | (2,313)                      | (19)                         | (2,332)      |
|                          | <hr/>                        | <hr/>                        | <hr/>        |
| 31 December 2022         | 16,123                       | 152                          | 16,275       |
| Additions                | 2,121                        | 10                           | 2,131        |
| Disposals                | (2,861)                      | (25)                         | (2,886)      |
|                          | <hr/>                        | <hr/>                        | <hr/>        |
| 31 December 2023         | 15,383                       | 137                          | 15,520       |
|                          | <hr/>                        | <hr/>                        | <hr/>        |
| Accumulated amortisation |                              |                              |              |
| 1 January 2022           | (8,062)                      | (72)                         | (8,134)      |
| Charge                   | (2,795)                      | (29)                         | (2,824)      |
| Disposals                | 2,159                        | 19                           | 2,178        |
|                          | <hr/>                        | <hr/>                        | <hr/>        |
| 31 December 2022         | (8,698)                      | (82)                         | (8,780)      |
| Charge                   | (2,777)                      | (27)                         | (2,804)      |
| Disposals                | 2,756                        | 24                           | 2,780        |
|                          | <hr/>                        | <hr/>                        | <hr/>        |
| 31 December 2023         | (8,719)                      | (85)                         | (8,804)      |
|                          | <hr/>                        | <hr/>                        | <hr/>        |
| Net book value           |                              |                              |              |
| 31 December 2023         | 6,664                        | 52                           | 6,716        |
|                          | <hr/>                        | <hr/>                        | <hr/>        |
| 31 December 2022         | 7,425                        | 70                           | 7,495        |
|                          | <hr/>                        | <hr/>                        | <hr/>        |

(2) Lease liabilities

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

The Group

|                                             | <u>31 December 2023</u> | <u>31 December 2022</u> |
|---------------------------------------------|-------------------------|-------------------------|
| Within 3 months                             | 760                     | 782                     |
| 3 months to 1 year                          | 1,967                   | 2,075                   |
| 1 year to 5 years                           | 4,285                   | 5,058                   |
| More than 5 years                           | 252                     | 442                     |
|                                             | <hr/>                   | <hr/>                   |
| Total undiscounted lease liabilities        | 7,264                   | 8,357                   |
|                                             | <hr/>                   | <hr/>                   |
| Book value of lease liabilities at year-end | 6,871                   | 7,832                   |
|                                             | <hr/>                   | <hr/>                   |

The Bank

|                                             | <u>31 December 2023</u> | <u>31 December 2022</u> |
|---------------------------------------------|-------------------------|-------------------------|
| Within 3 months                             | 714                     | 738                     |
| 3 months to 1 year                          | 1,875                   | 1,965                   |
| 1 year to 5 years                           | 4,033                   | 4,767                   |
| More than 5 years                           | 174                     | 324                     |
|                                             | <hr/>                   | <hr/>                   |
| Total undiscounted lease liabilities        | 6,796                   | 7,794                   |
|                                             | <hr/>                   | <hr/>                   |
| Book value of lease liabilities at year-end | 6,423                   | 7,293                   |
|                                             | <hr/>                   | <hr/>                   |

(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.

(4) As a lessor

| Item                   | <u>2023</u> | <u>2022</u> |
|------------------------|-------------|-------------|
| Operating lease income | 2,593       | 2,341       |
| Finance lease income   | 4,468       | 3,811       |
|                        | <hr/>       | <hr/>       |

The Group conducts the finance leasing business and operating leasing business in accordance with relevant regulatory requirements. The leased items involved mainly include leased equipment such as aircraft and vessels, and the lessees are primarily corporate customers.

## 11 Intangible assets

### The Group

|                             | <u>Land use rights</u> | <u>Software and<br/>others</u> | <u>Brands and<br/>Franchising</u> | <u>Total</u> |
|-----------------------------|------------------------|--------------------------------|-----------------------------------|--------------|
| Cost                        |                        |                                |                                   |              |
| 1 January 2022              | 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       |
| Additions                   | -                      | 1,091                          | -                                 | 1,091        |
| Disposals                   | -                      | (127)                          | -                                 | (127)        |
| 31 December 2023            | 6,800                  | 11,044                         | 2,236                             | 20,080       |
| Accumulated<br>amortisation |                        |                                |                                   |              |
| 1 January 2022              | (800)                  | (6,324)                        | -                                 | (7,124)      |
| Charge                      | (174)                  | (1,470)                        | -                                 | (1,644)      |
| Disposals                   | -                      | 1                              | -                                 | 1            |
| 31 December 2022            | (974)                  | (7,793)                        | -                                 | (8,767)      |
| Charge                      | (174)                  | (1,451)                        | -                                 | (1,625)      |
| Disposals                   | -                      | 79                             | -                                 | 79           |
| 31 December 2023            | (1,148)                | (9,165)                        | -                                 | (10,313)     |
| Net book value              |                        |                                |                                   |              |
| 31 December 2023            | 5,652                  | 1,879                          | 2,236                             | 9,767        |
| 31 December 2022            | 5,826                  | 2,287                          | 2,236                             | 10,349       |

In 2023, the Group performed an impairment testing for the brand and franchise rights (with indefinite useful lives) of Shanghai International Trust Co., Ltd. ("Shanghai International Trust"), and concluded that no provisions for impairment were required. In the impairment testing, the recoverable amount is determined by reference to its fair value less costs of disposal. The management selected comparable company cases and evaluated the fair value of such brands and franchise rights with a price to book value ratio method, and corrected the price to book value ratio according to specific risk factors.

## The Bank

|                          | <u>Land use rights</u> | <u>Software and<br/>others</u> | <u>Total</u> |
|--------------------------|------------------------|--------------------------------|--------------|
| Cost                     |                        |                                |              |
| 1 January 2022           | 6,797                  | 7,791                          | 14,588       |
| Additions                | -                      | 1,414                          | 1,414        |
| Disposals                | -                      | (1)                            | (1)          |
|                          | <hr/>                  | <hr/>                          | <hr/>        |
| 31 December 2022         | 6,797                  | 9,204                          | 16,001       |
| Additions                | -                      | 1,039                          | 1,039        |
| Disposals                | -                      | (2)                            | (2)          |
|                          | <hr/>                  | <hr/>                          | <hr/>        |
| 31 December 2023         | 6,797                  | 10,241                         | 17,038       |
|                          | <hr/>                  | <hr/>                          | <hr/>        |
| Accumulated amortisation |                        |                                |              |
| 1 January 2022           | (800)                  | (5,549)                        | (6,349)      |
| Charge                   | (173)                  | (1,444)                        | (1,617)      |
| Disposals                | -                      | 1                              | 1            |
|                          | <hr/>                  | <hr/>                          | <hr/>        |
| 31 December 2022         | (973)                  | (6,992)                        | (7,965)      |
| Charge                   | (173)                  | (1,438)                        | (1,611)      |
| Disposals                | -                      | 2                              | 2            |
|                          | <hr/>                  | <hr/>                          | <hr/>        |
| 31 December 2023         | (1,146)                | (8,428)                        | (9,574)      |
|                          | <hr/>                  | <hr/>                          | <hr/>        |
| Net book value           |                        |                                |              |
| 31 December 2023         | 5,651                  | 1,813                          | 7,464        |
|                          | <hr/>                  | <hr/>                          | <hr/>        |
| 31 December 2022         | 5,824                  | 2,212                          | 8,036        |
|                          | <hr/>                  | <hr/>                          | <hr/>        |

## 12 Goodwill

|                                                                              | <u>31 December<br/>2023</u> | <u>31 December<br/>2022</u> |
|------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Goodwill                                                                     |                             |                             |
| - Shanghai International Trust Co., Ltd.<br>("Shanghai International Trust") | 5,351                       | 6,981                       |
| Less: impairment allowances                                                  | -                           | -                           |
|                                                                              | <hr/>                       | <hr/>                       |
| Total                                                                        | 5,351                       | 6,981                       |
|                                                                              | <hr/>                       | <hr/>                       |

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 transaction date according to operating segments are summarised as follows:

|                                                                                           | 31 December<br><u>2023</u> | 31 December<br><u>2022</u> |
|-------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Shanghai International Trust                                                              | 4,739                      | 4,739                      |
| Shanghai International Trust subsidiary                                                   |                            |                            |
| -China International Fund Management Co.,<br>Ltd. ("China International Fund Management") | -                          | 1,630                      |
| - Others                                                                                  | 612                        | 612                        |
|                                                                                           | <hr/>                      | <hr/>                      |
| Total                                                                                     | 5,351                      | 6,981                      |
|                                                                                           | <hr/>                      | <hr/>                      |

(1) Asset groups or asset group combinations related to goodwill

It mainly represents the Shanghai International Trust asset group and the asset group of Shanghai International Trust's related subsidiaries. At the end of 2023, the cash flows of the above asset groups were basically independent of cash inflows generated by other assets or asset groups, and belonged to the trust business segment, monetary brokerage segment and investment management segment respectively.

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"). Shanghai Trust held 51% of the shares and JPMorgan Asset 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 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 was delisted with no less than RMB 7 billion. As at the balance sheet date, Shanghai International Trust has completed the equity transaction of China International Fund Management with JPMorgan Asset, and the goodwill originally allocated by the Group to China International Fund Management have been transferred out.

The cash consideration acquired from the disposal of the China International Fund Management asset group has been obtained by the Shanghai International Trust asset group, and the carrying amount of the Shanghai International Trust asset group has been simultaneously increased. Save as set out above, there were no changes in other asset groups to which the Group's goodwill belonged during the year.

(2) Method used to determine the recoverable amount:

As at the balance sheet date, the recoverable amount of the Shanghai International Trust asset group was determined by reference to its fair value less costs of disposal.

| Item                         | Carrying amount | Recoverable amount | Impairment amount | The method used to determine the fair value and the cost of disposal                                 | Key parameters                                     | Basis for determining the key parameters                                                                            |
|------------------------------|-----------------|--------------------|-------------------|------------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| Shanghai International Trust | 29,516          | 38,718             | -                 | Use the comparable transaction method to determine fair value and consider related costs of disposal | Price-to-book ratio (P/B) (1.4 times to 2.1 times) | Determine based on the comparable trading P/B multiples and adjust the P/B in accordance with specific risk factors |

As at the balance sheet date, the recoverable amount of the asset group of Shanghai International Trust's related subsidiaries was determined by reference to the present value of expected future cash flows. Key parameters used to calculate the present value of future cash flows include revenue growth rate, EBITDA margin, gross margin, pre-tax discount rate, etc. The Group comprehensively determines the revenue growth rate, EBITDA margin and gross margin for the five-year forecast period based on historical experience and market development, and on the basis of the realised financial performance in the year prior to the forecast period, taking into account the expected limitations on the scope of the future operations as well as the level of the related expenses; the Group determines the revenue growth rate for the future stable period based on the level of long-term inflation rate for the PRC economy, and the EBITDA margin and gross margin for the stable period based on the forecast level for the last period of the forecast period; the pre-tax discount rate reflects the risks specific to the future cash flows of the underlying asset group. As at the balance sheet date, the recoverable amount of the asset group of Shanghai International Trust's related subsidiaries was higher than the carrying amount, no impairment was recognised

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 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Deferred income tax assets      | 71,598           | 68,690           | 69,250           | 66,867           |
| Deferred income tax liabilities | (1,014)          | (641)            | -                | -                |

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 2023                                     |                                                    | 31 December 2022                                     |                                                    |
|----------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
|                                                                | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) |
| Impairment allowances for financial assets                     | 271,862                                              | 67,957                                             | 250,428                                              | 62,606                                             |
| Fair value changes of derivative financial instruments         | 52,293                                               | 13,073                                             | 37,528                                               | 9,382                                              |
| Fair value changes of financial investment measured at FVOCI   | 8,829                                                | 2,138                                              | 12,639                                               | 3,160                                              |
| Employee benefits payable                                      | 8,435                                                | 2,109                                              | 9,128                                                | 2,282                                              |
| Provisions                                                     | 7,753                                                | 1,938                                              | 6,230                                                | 1,558                                              |
| Fair value changes of assets and liabilities measured at FVTPL | 2,817                                                | 705                                                | 1,744                                                | 436                                                |
| Fair value changes of precious metals                          | 123                                                  | 31                                                 | 3,237                                                | 809                                                |
| Others                                                         | 12,885                                               | 3,220                                              | 14,565                                               | 3,643                                              |
| Subtotal                                                       | <u>364,997</u>                                       | <u>91,171</u>                                      | <u>335,499</u>                                       | <u>83,876</u>                                      |
| Offset amounts                                                 |                                                      | <u>(19,573)</u>                                    |                                                      | <u>(15,186)</u>                                    |
| Deferred income tax assets after offsetting                    |                                                      | <u>71,598</u>                                      |                                                      | <u>68,690</u>                                      |



|                                                                                                                                                       | 31 December 2023                                     |                                                    | 31 December 2022                                     |                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
|                                                                                                                                                       | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) |
| Fair value changes of derivative financial instruments                                                                                                | (56,311)                                             | (14,077)                                           | (42,770)                                             | (10,693)                                           |
| Fair value changes of assets and liabilities measured at FVTPL                                                                                        | (11,520)                                             | (2,880)                                            | (5,598)                                              | (1,400)                                            |
| Fair value changes of financial investment measured at FVOCI                                                                                          | (4,127)                                              | (1,032)                                            | (3,818)                                              | (955)                                              |
| Differences between fair value and carrying amount of identifiable net assets arising from business combinations of entities not under common control | (2,441)                                              | (610)                                              | (2,460)                                              | (615)                                              |
| Fair value changes of precious metals                                                                                                                 | (1,203)                                              | (301)                                              | (517)                                                | (129)                                              |
| Others                                                                                                                                                | (6,749)                                              | (1,687)                                            | (8,139)                                              | (2,035)                                            |
| Subtotal                                                                                                                                              | <u>(82,351)</u>                                      | <u>(20,587)</u>                                    | <u>(63,302)</u>                                      | <u>(15,827)</u>                                    |
| Offset amounts                                                                                                                                        |                                                      | <u>19,573</u>                                      |                                                      | <u>15,186</u>                                      |
| Deferred tax liabilities after offsetting                                                                                                             |                                                      | <u>(1,014)</u>                                     |                                                      | <u>(641)</u>                                       |

## The Bank

|                                                                | 31 December 2023                                     |                                                    | 31 December 2022                                     |                                                    |
|----------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
|                                                                | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) |
| Impairment allowances for financial assets                     | 265,863                                              | 66,466                                             | 245,518                                              | 61,379                                             |
| Fair value changes of derivative financial instruments         | 52,260                                               | 13,065                                             | 37,525                                               | 9,381                                              |
| Fair value changes of financial investment measured at FVOCI   | 8,017                                                | 2,004                                              | 11,955                                               | 2,989                                              |
| Provision                                                      | 7,753                                                | 1,938                                              | 6,228                                                | 1,557                                              |
| Employee benefits payable                                      | 6,878                                                | 1,719                                              | 7,624                                                | 1,906                                              |
| Fair value changes of assets and liabilities measured at FVTPL | 2,659                                                | 665                                                | 2,256                                                | 564                                                |
| Fair value changes of precious metals                          | 123                                                  | 31                                                 | 3,233                                                | 808                                                |
| Others                                                         | <u>11,659</u>                                        | <u>2,916</u>                                       | <u>13,342</u>                                        | <u>3,337</u>                                       |
| Subtotal                                                       | <u>355,212</u>                                       | <u>88,804</u>                                      | <u>327,681</u>                                       | <u>81,921</u>                                      |
| Offset amounts                                                 |                                                      | <u>(19,554)</u>                                    |                                                      | <u>(15,054)</u>                                    |
| Deferred tax assets after offsetting                           |                                                      | <u>69,250</u>                                      |                                                      | <u>66,867</u>                                      |
|                                                                | <u>31 December 2023</u>                              |                                                    | <u>31 December 2022</u>                              |                                                    |

|                                                                | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) |
|----------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
| Fair value changes of derivative financial instruments         | (56,265)                                             | (14,066)                                           | (42,770)                                             | (10,693)                                           |
| Fair value changes of assets and liabilities measured at FVTPL | (9,928)                                              | (2,482)                                            | (5,598)                                              | (1,400)                                            |
| Fair value changes of financial investment measured at FVOCI   | (4,102)                                              | (1,026)                                            | (3,818)                                              | (955)                                              |
| Fair value changes of precious metals                          | (1,203)                                              | (301)                                              | (517)                                                | (129)                                              |
| Others                                                         | (6,716)                                              | (1,679)                                            | (7,508)                                              | (1,877)                                            |
| Subtotal                                                       | <u>(78,214)</u>                                      | <u>(19,554)</u>                                    | <u>(60,211)</u>                                      | <u>(15,054)</u>                                    |
| Offset amounts                                                 |                                                      | <u>19,554</u>                                      |                                                      | <u>15,054</u>                                      |
| Deferred tax liabilities after offsetting                      |                                                      | <u>-</u>                                           |                                                      | <u>-</u>                                           |

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

|                                       |      | The Group     |               | The Bank      |               |
|---------------------------------------|------|---------------|---------------|---------------|---------------|
|                                       | Note | 2023          | 2022          | 2023          | 2022          |
| Balance at the beginning of the year  |      | 68,049        | 58,324        | 66,867        | 57,542        |
| Charged to profit or loss             | V.40 | 4,198         | 7,712         | 4,006         | 7,381         |
| Charged to other comprehensive income | V.29 | (1,663)       | 2,013         | (1,623)       | 1,944         |
| Balance at the end of the year        |      | <u>70,584</u> | <u>68,049</u> | <u>69,250</u> | <u>66,867</u> |

## 14 Other assets

|                                                                | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Margin deposits                                                | 21,483              | 14,403              | 21,483              | 14,403              |
| Suspense accounts                                              | 21,443              | 25,423              | 21,004              | 25,417              |
| Other receivables                                              | 14,360              | 11,400              | 13,066              | 9,298               |
| Interest receivable                                            | 3,622               | 3,787               | 3,621               | 3,784               |
| Prepayment for land-use<br>rights and constructions            | 3,115               | 4,654               | 1,101               | 1,675               |
| Long-term deferred<br>expenses                                 | 1,488               | 1,398               | 1,414               | 1,335               |
| Payments to Trust<br>Protection Fund on<br>behalf of investors | 872                 | 1,520               | -                   | -                   |
| Reposessed assets                                              | 448                 | 444                 | 361                 | 374                 |
| Other assets                                                   | 2,635               | 1,785               | 1,621               | 969                 |
| Total                                                          | 69,466              | 64,814              | 63,671              | 57,255              |

## 15 Impairment allowances for assets

### The Group

|                                                                  | 1 January<br>2023 | Charges | Write-off and<br>disposal | Others | 31 December<br>2023 |
|------------------------------------------------------------------|-------------------|---------|---------------------------|--------|---------------------|
| Deposits with banks and<br>other financial<br>institutions       | 241               | (51)    | -                         | -      | 190                 |
| Placements with banks<br>and other financial<br>institutions     | 328               | 25      | -                         | -      | 353                 |
| Financial assets<br>purchased under resale<br>agreements         | 15                | (1)     | -                         | -      | 14                  |
| Loans and advances to<br>customers measured at<br>amortized cost | 118,083           | 55,989  | (56,783)                  | 11,135 | 128,424             |
| Loans and advances to<br>customers measured at<br>FVOCI          | 591               | (276)   | -                         | -      | 315                 |
| Debt investments                                                 | 19,431            | 12,896  | (4,035)                   | 53     | 28,345              |
| Other debt investments                                           | 3,738             | 2,576   | (366)                     | 27     | 5,975               |
| Accrued interest and<br>interest receivable                      | 3,270             | 1,890   | (232)                     | -      | 4,928               |
| Other assets                                                     | 2,964             | 2,318   | (264)                     | 106    | 5,124               |
| Financial guarantees<br>and loan commitments                     | 6,229             | 1,497   | -                         | -      | 7,726               |
| Total                                                            | 154,890           | 76,863  | (61,680)                  | 11,321 | 181,394             |

|                                                            | 1 January<br><u>2022</u> | <u>Charges</u> | Write-off and<br><u>disposal</u> | <u>Others</u> | 31 December<br><u>2022</u> |
|------------------------------------------------------------|--------------------------|----------------|----------------------------------|---------------|----------------------------|
| 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                      |
| Financial guarantees and loan commitments                  | 6,274                    | (55)           | -                                | 10            | 6,229                      |
| Total                                                      | <u>143,457</u>           | <u>75,999</u>  | <u>(72,739)</u>                  | <u>8,173</u>  | <u>154,890</u>             |

#### The Bank

|                                                            | 1 January<br><u>2023</u> | <u>Charges</u> | Write-off and<br><u>disposal</u> | <u>Others</u> | 31 December<br><u>2023</u> |
|------------------------------------------------------------|--------------------------|----------------|----------------------------------|---------------|----------------------------|
| Deposits with banks and other financial institutions       | 213                      | (102)          | -                                | -             | 111                        |
| Placements with banks and other financial institutions     | 326                      | 26             | -                                | -             | 352                        |
| Financial assets purchased under resale agreements         | 15                       | (1)            | -                                | -             | 14                         |
| Loans and advances to customers measured at amortized cost | 111,473                  | 55,321         | (56,186)                         | 11,026        | 121,634                    |
| Loans and advances to customers measured at FVOCI          | 591                      | (276)          | -                                | -             | 315                        |
| Debt investments                                           | 19,752                   | 12,466         | (4,035)                          | 53            | 28,236                     |
| Other debt investments                                     | 3,199                    | 2,475          | (230)                            | 19            | 5,463                      |
| Accrued interest and interest receivable                   | 3,192                    | 2,021          | (306)                            | -             | 4,907                      |
| Other assets                                               | 2,920                    | 2,159          | (264)                            | 106           | 4,921                      |
| Financial guarantees and loan commitments                  | 6,227                    | 1,499          | -                                | -             | 7,726                      |
| Total                                                      | <u>147,908</u>           | <u>75,588</u>  | <u>(61,021)</u>                  | <u>11,204</u> | <u>173,679</u>             |

|                                                            | 1 January<br>2022 | Charges | Write-off and<br>disposal | Others | 31 December<br>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               |
| Financial guarantees and loan commitments                  | 6,271             | (53)    | -                         | 9      | 6,227               |
| Total                                                      | 137,386           | 74,674  | (72,299)                  | 8,147  | 147,908             |

#### 16 Deposits from banks and other financial institutions

|                                                        | The Group           |                     | The Bank            |                     |
|--------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                        | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Deposits from domestic banks                           | 197,810             | 198,159             | 204,861             | 205,763             |
| Deposits from overseas banks                           | 2,393               | 3,220               | 2,393               | 3,220               |
| Deposits from domestic non-bank financial institutions | 770,439             | 551,064             | 773,728             | 555,781             |
| Deposits from overseas non-bank financial institutions | 16,028              | 15,603              | 16,743              | 15,993              |
| Accrued interest                                       | 4,362               | 2,292               | 4,362               | 2,311               |
| Total                                                  | 991,032             | 770,338             | 1,002,087           | 783,068             |

17 Placements from banks and other financial institutions

|                                                          | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                          | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Placements from domestic banks                           | 262,430             | 280,294             | 168,802             | 204,796             |
| Placements from overseas banks                           | 38,847              | 56,443              | 29,757              | 48,047              |
| Placements from domestic non-bank financial institutions | 600                 | 3,596               | 600                 | 200                 |
| Accrued interest                                         | 800                 | 672                 | 432                 | 394                 |
| Total                                                    | <u>302,677</u>      | <u>341,005</u>      | <u>199,591</u>      | <u>253,437</u>      |

18 Trading liabilities

|                                                                   | Note | The Group           |                     | The Bank            |                     |
|-------------------------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                                                                   |      | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Financial liabilities related to short selling of bonds           |      | 7,750               | 3,099               | 7,750               | 3,099               |
| Interest of other unitholders in consolidated structured entities | (1)  | 2,338               | 7,005               | -                   | -                   |
| Financial liabilities related to precious metals                  |      | 119                 | 134                 | 119                 | 134                 |
| Total                                                             |      | <u>10,207</u>       | <u>10,238</u>       | <u>7,869</u>        | <u>3,233</u>        |

- (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 2023 and 31 December 2022, 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<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Bonds                             | 427,511             | 242,281             | 361,394             | 200,109             |
| Discounted bills                  | 87,381              | 104,743             | 87,381              | 104,743             |
| Interbank certificates of deposit | 4,637               | 3,047               | -                   | -                   |
| Accrued interest                  | 255                 | 97                  | 255                 | 97                  |
| Total                             | 519,784             | 350,168             | 449,030             | 304,949             |

20 Deposits from customers

|                  | The Group           |                     | The Bank            |                     |
|------------------|---------------------|---------------------|---------------------|---------------------|
|                  | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Current deposits |                     |                     |                     |                     |
| - Corporate      | 1,813,631           | 1,656,442           | 1,808,067           | 1,649,899           |
| - Retail         | 354,015             | 413,721             | 351,177             | 410,761             |
| Time deposits    |                     |                     |                     |                     |
| - Corporate      | 1,765,364           | 1,836,412           | 1,761,829           | 1,833,261           |
| - Retail         | 1,049,278           | 917,007             | 1,029,042           | 898,395             |
| Other deposits   | 2,342               | 2,896               | 2,328               | 2,828               |
| Subtotal         | 4,984,630           | 4,826,478           | 4,952,443           | 4,795,144           |
| Accrued interest | 75,714              | 67,334              | 74,702              | 66,213              |
| Total            | 5,060,344           | 4,893,812           | 5,027,145           | 4,861,357           |

21 Employee benefits payable

The Group

|                                                    | 1 January<br>2023 | Additions<br>during the year | Decreased and<br>other changes<br>during the year | 31 December<br>2023 |
|----------------------------------------------------|-------------------|------------------------------|---------------------------------------------------|---------------------|
| 1.Salaries                                         |                   |                              |                                                   |                     |
| Salaries, bonuses, allowances                      | 12,088            | 20,435                       | (19,150)                                          | 13,373              |
| Staff welfare                                      | -                 | 1,156                        | (1,156)                                           | -                   |
| Social insurance                                   |                   |                              |                                                   |                     |
| - Medical and maternity insurance                  | 56                | 1,099                        | (1,102)                                           | 53                  |
| - Work- related injury insurance                   | 2                 | 22                           | (23)                                              | 1                   |
| Housing fund                                       | 57                | 1,652                        | (1,695)                                           | 14                  |
| Labour union fee, staff and workers' education fee | 219               | 477                          | (492)                                             | 204                 |
| Others                                             | 41                | 797                          | (792)                                             | 46                  |
| 2.Post employment benefits                         |                   |                              |                                                   |                     |
| Basic pension insurance                            | 185               | 1,851                        | (1,862)                                           | 174                 |
| Unemployment insurance                             | 20                | 52                           | (58)                                              | 14                  |
| Annuity                                            | 4                 | 966                          | (970)                                             | -                   |
| Total                                              | 12,672            | 28,507                       | (27,300)                                          | 13,879              |

## The Bank

|                                                    | 1 January<br>2023 | Additions<br>during the year | Decreased<br>during the year | 31 December<br>2023 |
|----------------------------------------------------|-------------------|------------------------------|------------------------------|---------------------|
| 1.Salaries                                         |                   |                              |                              |                     |
| Salaries, bonuses, allowances                      | 10,246            | 18,962                       | (17,589)                     | 11,619              |
| Staff welfare                                      | -                 | 1,123                        | (1,123)                      | -                   |
| Social insurance                                   |                   |                              |                              |                     |
| - Medical and maternity insurance                  | 51                | 1,025                        | (1,027)                      | 49                  |
| - Work- related injury insurance                   | 2                 | 21                           | (22)                         | 1                   |
| Housing fund                                       | 56                | 1,599                        | (1,643)                      | 12                  |
| Labour union fee, staff and workers' education fee | 205               | 450                          | (452)                        | 203                 |
| Others                                             | -                 | 775                          | (775)                        | -                   |
| 2.Post employment benefits                         |                   |                              |                              |                     |
| Basic pension insurance                            | 181               | 1,751                        | (1,763)                      | 169                 |
| Unemployment insurance                             | 20                | 50                           | (56)                         | 14                  |
| Annuity                                            | 3                 | 883                          | (886)                        | -                   |
| Total                                              | 10,764            | 26,639                       | (25,336)                     | 12,067              |

- (1) Salaries, bonuses, allowances and subsidies and other social security payable to employees mentioned above are paid in accordance with the timeframes set forth in relevant laws, regulations and the Group's system.

## 22 Tax payable

|                            | The Group           |                     | The Bank            |                     |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
|                            | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Corporate income tax       | 21,798              | 27,290              | 21,371              | 26,701              |
| Value added tax            | 2,460               | 3,898               | 2,374               | 3,783               |
| Withholding tax and others | 846                 | 1,025               | 494                 | 583                 |
| Total                      | 25,104              | 32,213              | 24,239              | 31,067              |



## 23 Debt securities issued

|                                                                | Note | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                                                                |      | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Interbank deposit certificates and deposit certificates issued | (1)  | 636,053             | 887,197             | 636,053             | 887,197             |
| Bonds issued                                                   |      |                     |                     |                     |                     |
| 2018 Tier II First Financial Bond                              | (2)  | -                   | 20,000              | -                   | 20,000              |
| 2018 Tier II Second Financial Bond                             | (3)  | -                   | 20,000              | -                   | 20,000              |
| 2020 Tier II First Financial Bond                              | (4)  | 32,000              | 32,000              | 32,000              | 32,000              |
| 2020 Tier II Second Financial Bond                             | (5)  | 8,000               | 8,000               | 8,000               | 8,000               |
| 2020 Tier II Third Financial Bond                              | (6)  | 30,000              | 30,000              | 30,000              | 30,000              |
| 2020 Tier II Fourth Financial Bond                             | (7)  | 10,000              | 10,000              | 10,000              | 10,000              |
| 2020 First Financial Bond                                      | (8)  | -                   | 50,000              | -                   | 50,000              |
| 2021 First Financial Bond                                      | (9)  | 60,000              | 60,000              | 60,000              | 60,000              |
| 2021 Second Financial Bond                                     | (10) | 40,000              | 40,000              | 40,000              | 40,000              |
| 2022 First Financial Bond (Variety I)                          | (11) | 25,000              | 25,000              | 25,000              | 25,000              |
| 2022 First Financial Bond (Variety II)                         | (11) | 5,000               | 5,000               | 5,000               | 5,000               |
| 2022 Second Financial Bond                                     | (12) | 30,000              | 30,000              | 30,000              | 30,000              |
| 2022 Third Financial Bond                                      | (13) | 30,000              | 30,000              | 30,000              | 30,000              |
| 2023 Green Financial Bond                                      | (14) | 30,000              | -                   | 30,000              | -                   |
| Hong Kong medium-term note                                     | (15) | 4,964               | 10,122              | 4,964               | 10,122              |
| Singapore medium-term note                                     | (16) | 2,128               | 2,085               | 2,128               | 2,085               |
| London medium-term note                                        | (17) | 2,837               | 2,781               | 2,837               | 2,781               |
| SPDB Convertible corporate bonds                               | (18) | 49,998              | 49,998              | 49,998              | 49,998              |
| 2020 Tier II SPDB Financial Leasing Financial Bond             | (19) | 1,100               | 1,100               | -                   | -                   |
| 2020 SPDB Financial Leasing Financial Bond                     | (20) | -                   | 2,800               | -                   | -                   |
| 2021 SPDB Financial Leasing Financial Green Bond               | (21) | 3,000               | 3,000               | -                   | -                   |
| 2021 First SPDB Financial Leasing Financial Bond               | (22) | 2,000               | 2,000               | -                   | -                   |
| 2022 First SPDB Financial Leasing Financial Bond               | (23) | 1,450               | 1,450               | -                   | -                   |
| Subtotal                                                       |      | 367,477             | 435,336             | 359,927             | 424,986             |
| Add: Unamortized issue cost and others                         |      | 2,462               | 1,532               | 2,468               | 1,546               |
| Debt securities issued                                         |      | 369,939             | 436,868             | 362,395             | 426,532             |
| Accrued interest                                               |      | 5,661               | 6,239               | 5,562               | 6,127               |
| Total                                                          |      | 1,011,653           | 1,330,304           | 1,004,010           | 1,319,856           |

- (1) As at 31 December 2023, the Group issued a total of 181 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 2.00% to 2.76% (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% ).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2023, the number of deposit certificates publicly issued but not yet expired were 112 in total, with the longest term to maturity being 365 days and interest rates falling within a range from 0% to 5.90% (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%).

- (2) 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. As of December 31 2023, the Bank has exercised the redemption option.
- (3) 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. As of December 31 2023, the Bank has exercised the redemption option.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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%. As of December 31, 2023, the Bank has completed the payment.
- (9) 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%.
- (10) On 2 December 2021, the Bank issued “2021 Second 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%.

- (11) 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%.
- (12) 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%.
- (13) 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%.
- (14) On 24 March 2023, the Bank issued "2023 First Green 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 2.79%.
- (15) The Bank issued USD 500 million medium-term note in Hong Kong Stock Exchange on 27 July 2020 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS. The Bank simultaneously issued HK 2 billion medium-term notes and US 700 million medium-term notes in Hong Kong Stock Exchange on 13 July 2021 which has the term of 2 years and 3 years respectively, and the coupon rate is 0.600% of the fixed interest rate and 0.875% of the fixed interest rate respectively. As of December 31, 2023, the Bank has completed the payment.
- (16) 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%.
- (17) 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%.
- (18) 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).

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 2023, a total of RMB 1,412,000 SPDB convertible bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 96,451, accounting for 0.0003% of the total issued ordinary shares of the company before the conversion of SPDB convertible 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<br>(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     | 4,588     | -                     | 4,588  |
| Converted bonds in the prior year  | (2)       | -                     | (2)    |
| Balance at 1 January 2023          | 51,722    | 2,782                 | 54,504 |
| Amortisation in the current period | 858       | -                     | 858    |
| Balance at 31 December 2023        | 52,580    | 2,782                 | 55,362 |

- (19) 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.
- (20) 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% and the actual issuance of the Group was RMB 2.8 billion. As of December 31 2023, SPDB Financial Leasing Co., Ltd. has completed the payment.

- (21) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2021 Financial Bond” in the amount of RMB 3 billion in the domestic inter-bank market on 6 July 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.38%.
- (22) 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 October 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.30%.
- (23) 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 2023, the actual issuance of the Group was RMB 1.45 billion.
- (24) As of the balance sheet date, the Group has not defaulted on any of its issued debt securities.

## 24 Provisions

|                                                                    | The Group           |                     | The Bank            |                     |
|--------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                    | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Impairment allowance for financial guarantees and loan commitments | 7,726               | 6,229               | 7,726               | 6,227               |
| Losses from pending lawsuits                                       | 27                  | -                   | 27                  | -                   |
| Others                                                             | -                   | 1                   | -                   | 1                   |
| <b>Total</b>                                                       | <b>7,753</b>        | <b>6,230</b>        | <b>7,753</b>        | <b>6,228</b>        |

## 25 Other liabilities

|                                                      | The Group           |                     | The Bank            |                     |
|------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                      | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Suspense accounts                                    | 21,347              | 25,634              | 21,347              | 25,628              |
| Advance from performance deposits and other deposits | 3,624               | 3,175               | 993                 | 217                 |
| Contract liabilities                                 | 2,649               | 3,238               | 2,130               | 2,690               |
| Accrued charges                                      | 2,022               | 2,414               | 1,965               | 2,402               |
| Payable dividends                                    | 42                  | 42                  | 36                  | 38                  |
| Others                                               | 6,826               | 5,261               | 2,190               | 2,029               |
| <b>Total</b>                                         | <b>36,510</b>       | <b>39,764</b>       | <b>28,661</b>       | <b>33,004</b>       |

## 26 Share capital

The Group and the Bank

|                                               | 31 December<br>2023 | 31 December<br>2022 |
|-----------------------------------------------|---------------------|---------------------|
| Domestic listed RMB ordinary share (A shares) | 29,352              | 29,352              |

A shares issued by the Bank are all ordinary share, with par value of RMB 1 per share. All shares rank pari passu in all respects with each other.

## 27 Other equity instrument

The Group and the Bank

|                                                                                                                | Note | 31 December<br>2023 | 31 December<br>2022 |
|----------------------------------------------------------------------------------------------------------------|------|---------------------|---------------------|
| Other equity instruments included in the tier 1 capital of the Bank-Equity of SPDB convertible corporate bonds | (1)  | 2,782               | 2,782               |
| Other equity instruments included in other tier 1 capital of the Bank                                          | (2)  | 109,909             | 109,909             |
| Total                                                                                                          |      | 112,691             | 112,691             |

(1) As at 31 December 2023, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2022: RMB 2,782 million), see Note V.23(18) for specific information.

(2) Other equity instruments included in other tier 1 capital of the Bank

| Name of other equity instruments outstanding | Dividend rate                                                     | Issuance Price (RMB) | Number      | Opening amount | Movements during the year | Closing amount | Maturity date or renewals | Conversion (Yes/No) |
|----------------------------------------------|-------------------------------------------------------------------|----------------------|-------------|----------------|---------------------------|----------------|---------------------------|---------------------|
| Pufayou 1 (a)                                | 6% for the first five years;<br>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;<br>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 regulatory approval. 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 regulatory approval, 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 China Banking and Insurance Regulatory Commission (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 bond of the Shanghai Pudong Development Bank Co., Ltd.” (RMB 50 billion) in the inter-bank market on July 2019 and November 2020 respectively, which were all accounted for as other equity instruments after deducting issuance expenses. The duration of this Perpetual bond was consistent with the duration of the Bank's continuing operations. The Bank shall have the right to redeem the Perpetual 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 regulatory authority, and the bond investors have no right to request the Bank to redeem the capital bonds with unfixed terms. The Bank shall have the right to cancel, in whole or in part, distributions on the capital bonds with unfixed terms.

Pursuant to applicable laws and regulations and the “CBIRC 's Reply on the Issuance of Unfixed-Term Capital Bonds by SPDB” ([2019] No. 596) and the related departments' 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 regulatory authorities 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 occur, 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) regulatory authorities determine 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<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| 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(18), with the regulatory approval and other relevant institutions, the Bank publicly issued A-share convertible corporate bonds with a face value of RMB 50 billion in 2019. As of December 31, 2023, about RMB 1,412,000 of convertible corporate bonds had been converted into A-share ordinary shares, accumulatively increasing the Bank's share capital to 96,451 shares, and increasing the Bank's share capital premium accordingly.

29 Other comprehensive income

The Group

|                                                                       | Opening balance<br>of other<br>comprehensive<br>income<br>attributable to<br>the Bank's<br>Shareholders | For the year from 1 January 2023 to 31 December 2023 |                       |                     |                                          |                                                          |                                                                         | Ending balance<br>of other<br>comprehensive<br>income<br>attributable to<br>the Bank's<br>Shareholders |
|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------|---------------------|------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
|                                                                       |                                                                                                         | Transfer<br>in before tax                            | Less:<br>transfer out | Less:<br>income tax | Attributable<br>to the Bank<br>after tax | Attributable to<br>minority<br>shareholders<br>after tax | Transfer of other<br>comprehensive<br>income to<br>retained<br>earnings |                                                                                                        |
| Items that may be<br>reclassified to profit or loss                   |                                                                                                         |                                                      |                       |                     |                                          |                                                          |                                                                         |                                                                                                        |
| Financial investments<br>measured at FVOCI                            |                                                                                                         |                                                      |                       |                     |                                          |                                                          |                                                                         |                                                                                                        |
| - Fair value changes                                                  | (7,106)                                                                                                 | 4,988                                                | (395)                 | (1,133)             | 3,461                                    | (1)                                                      | -                                                                       | (3,645)                                                                                                |
| - Impairment allowance                                                | 3,376                                                                                                   | 3,030                                                | (366)                 | (669)               | 1,995                                    | -                                                        | -                                                                       | 5,371                                                                                                  |
| Exchange differences from<br>the translation of foreign<br>operations | 320                                                                                                     | 179                                                  | -                     | -                   | 149                                      | 30                                                       | -                                                                       | 469                                                                                                    |
| Cash flow hedge reserve                                               | 6                                                                                                       | 118                                                  | -                     | (30)                | 64                                       | 24                                                       | -                                                                       | 70                                                                                                     |
| Others                                                                | 1                                                                                                       | (1)                                                  | -                     | -                   | (1)                                      | -                                                        | -                                                                       | -                                                                                                      |
| Item that will not be<br>reclassified to profit or loss               |                                                                                                         |                                                      |                       |                     |                                          |                                                          |                                                                         |                                                                                                        |
| Changes in fair value of<br>other equity instruments                  | 350                                                                                                     | (916)                                                | -                     | 169                 | (747)                                    | -                                                        | 239                                                                     | (158)                                                                                                  |
|                                                                       | <u>(3,053)</u>                                                                                          | <u>7,398</u>                                         | <u>(761)</u>          | <u>(1,663)</u>      | <u>4,921</u>                             | <u>53</u>                                                | <u>239</u>                                                              | <u>2,107</u>                                                                                           |

|                                                                       | Opening balance<br>of other<br>comprehensive<br>income<br>attributable to<br>the Bank's<br>Shareholders | For the year from 1 January 2022 to 31 December 2022 |                       |                     |                                          |                                                          |                                                                         | Ending balance<br>of other<br>comprehensive<br>income<br>attributable to<br>the Bank's<br>Shareholders |
|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------|---------------------|------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
|                                                                       |                                                                                                         | Transfer<br>in before tax                            | Less:<br>transfer out | Less:<br>income tax | Attributable<br>to the Bank<br>after tax | Attributable to<br>minority<br>shareholders<br>after tax | Transfer of other<br>comprehensive<br>income to<br>retained<br>earnings |                                                                                                        |
| Items that may be<br>reclassified to profit or loss                   |                                                                                                         |                                                      |                       |                     |                                          |                                                          |                                                                         |                                                                                                        |
| Financial investments<br>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<br>the translation of foreign<br>operations | (15)                                                                                                    | 376                                                  | -                     | -                   | 335                                      | 41                                                       | -                                                                       | 320                                                                                                    |
| Cash flow hedge reserve                                               | 17                                                                                                      | (3)                                                  | -                     | 1                   | (11)                                     | 9                                                        | -                                                                       | 6                                                                                                      |
| Others                                                                | 1                                                                                                       | -                                                    | -                     | -                   | -                                        | -                                                        | -                                                                       | 1                                                                                                      |
| Item that will not be<br>reclassified to profit or loss               |                                                                                                         |                                                      |                       |                     |                                          |                                                          |                                                                         |                                                                                                        |
| Changes in fair value of<br>other equity instruments                  | 362                                                                                                     | (61)                                                 | -                     | 4                   | (57)                                     | -                                                        | 45                                                                      | 350                                                                                                    |
|                                                                       | <u>2,821</u>                                                                                            | <u>(5,112)</u>                                       | <u>(2,770)</u>        | <u>2,013</u>        | <u>(5,919)</u>                           | <u>50</u>                                                | <u>45</u>                                                               | <u>(3,053)</u>                                                                                         |

The Bank

|                                                                 | For the year from 1 January 2023 to 31 December 2023      |                           |                       |                     |              |                                                                            | Ending balance<br>of other<br>comprehensive<br>income |
|-----------------------------------------------------------------|-----------------------------------------------------------|---------------------------|-----------------------|---------------------|--------------|----------------------------------------------------------------------------|-------------------------------------------------------|
|                                                                 | Opening<br>balance of<br>other<br>comprehensive<br>income | Transfer in<br>before tax | Less:<br>transfer out | Less:<br>income tax | After tax    | Transfer of<br>other<br>comprehensive<br>income to<br>retained<br>earnings |                                                       |
| Items that may be reclassified to profit or loss                |                                                           |                           |                       |                     |              |                                                                            |                                                       |
| Financial investments measured at FVOCI                         |                                                           |                           |                       |                     |              |                                                                            |                                                       |
| - Fair value changes                                            | (6,141)                                                   | 4,950                     | (501)                 | (1,110)             | 3,339        | -                                                                          | (2,802)                                               |
| - Impairment allowance                                          | 2,844                                                     | 2,922                     | (230)                 | (673)               | 2,019        | -                                                                          | 4,863                                                 |
| Exchange differences from the translation of foreign operations | (44)                                                      | 24                        | -                     | -                   | 24           | -                                                                          | (20)                                                  |
| Cash flow hedge reserve                                         | (17)                                                      | 36                        | -                     | (9)                 | 27           | -                                                                          | 10                                                    |
| Others                                                          | 1                                                         | (1)                       | -                     | -                   | (1)          | -                                                                          | -                                                     |
| Item that will not be reclassified to profit or loss            |                                                           |                           |                       |                     |              |                                                                            |                                                       |
| Changes in fair value of other equity instruments               | 350                                                       | (916)                     | -                     | 169                 | (747)        | 239                                                                        | (158)                                                 |
|                                                                 | <u>(3,007)</u>                                            | <u>7,015</u>              | <u>(731)</u>          | <u>(1,623)</u>      | <u>4,661</u> | <u>239</u>                                                                 | <u>1,893</u>                                          |

|                                                                 | For the year from 1 January 2022 to 31 December 2022      |                           |                       |                     |           |                                                                            |                                                       |
|-----------------------------------------------------------------|-----------------------------------------------------------|---------------------------|-----------------------|---------------------|-----------|----------------------------------------------------------------------------|-------------------------------------------------------|
|                                                                 | Opening<br>balance of<br>other<br>comprehensive<br>income | Transfer in<br>before tax | Less:<br>transfer out | Less:<br>income tax | After tax | Transfer of<br>other<br>comprehensive<br>income to<br>retained<br>earnings | Ending balance<br>of other<br>comprehensive<br>income |
| 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)                                               |

### 30 Surplus reserves

#### The Group and The Bank

|                       | 1 January<br>2023 | Addition      | 31 December<br>2023 |
|-----------------------|-------------------|---------------|---------------------|
| Statutory reserve     | 22,206            | -             | 22,206              |
| Discretionary reserve | 152,179           | 14,544        | 166,723             |
| <b>Total</b>          | <b>174,385</b>    | <b>14,544</b> | <b>188,929</b>      |

|                       | 1 January<br>2022 | Addition      | 31 December<br>2022 |
|-----------------------|-------------------|---------------|---------------------|
| Statutory reserve     | 22,206            | -             | 22,206              |
| Discretionary reserve | 137,086           | 15,093        | 152,179             |
| <b>Total</b>          | <b>159,292</b>    | <b>15,093</b> | <b>174,385</b>      |

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<br>2023 | Addition | 31 December<br>2023 |
|----------------------|-------------------|----------|---------------------|
| General risk reserve | 99,515            | 2,060    | 101,575             |

|                      | 1 January<br>2022 | Addition | 31 December<br>2022 |
|----------------------|-------------------|----------|---------------------|
| General risk reserve | 90,993            | 8,522    | 99,515              |

#### The Bank

|                      | 1 January<br>2023 | Addition | 31 December<br>2023 |
|----------------------|-------------------|----------|---------------------|
| General risk reserve | 93,500            | 4,500    | 98,000              |

|                      | 1 January<br>2022 | Addition | 31 December<br>2022 |
|----------------------|-------------------|----------|---------------------|
| General risk reserve | 89,000            | 4,500    | 93,500              |

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 2022

Pursuant to the approval at the Shareholders’ meeting on 26 June 2023, the Bank’s profit distribution plan for the year ended 31 December 2022 is as follows:

- (i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 14,544 million;
- (ii) Appropriate RMB 4.5 billion as general reserve;
- (iii) The Bank declared and distributed cash dividends of RMB 3.2 (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 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.

### (3) Dividend distribution for preference shares

On 27 October 2023, 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 4 December 2023, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 24 February 2023, 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 13 March 2023, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

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%).

(4) Interests payment of capital bonds with unfixed terms

In November 2023, the Bank has declared the distribution of RMB 2.375 billion of interests of perpetual bonds according to the relevant terms of issuance of the 2020 capital bonds with unfixed terms.

In July 2023, the Bank has declared the distribution of RMB 1.419 billion of interests of perpetual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

In November 2022, the Bank has declared the distribution of RMB 2.375 billion of interests of perpetual 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 perpetual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

33 Net interest income

|                                                        | The Group |         | The Bank |         |
|--------------------------------------------------------|-----------|---------|----------|---------|
|                                                        | 2023      | 2022    | 2023     | 2022    |
| <b>Interest income</b>                                 |           |         |          |         |
| Loans and advances to customers                        |           |         |          |         |
| - Corporate loans                                      | 102,076   | 96,127  | 96,781   | 91,888  |
| - Retail loans                                         | 98,636    | 110,209 | 97,847   | 109,314 |
| - Discounted bills                                     | 5,837     | 10,585  | 5,837    | 10,585  |
| Financial investments                                  |           |         |          |         |
| - Debt investments                                     | 45,699    | 45,430  | 44,736   | 45,349  |
| - Other debt investments                               | 20,197    | 16,534  | 19,826   | 16,070  |
| Placements from banks and other financial institutions | 13,911    | 11,083  | 14,132   | 11,226  |
| Deposits from central bank                             | 5,570     | 5,599   | 5,541    | 5,570   |
| Deposits from banks and other financial institutions   | 3,581     | 1,831   | 3,373    | 1,657   |
| Financial assets purchased under resale agreements     | 2,091     | 2,122   | 2,091    | 2,122   |
| Subtotal                                               | 297,598   | 299,520 | 290,164  | 293,781 |



|                                                        | The Group |           | The Bank  |           |
|--------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                        | 2023      | 2022      | 2023      | 2022      |
| <b>Interest expense</b>                                |           |           |           |           |
| Deposits from customers                                | (105,378) | (96,828)  | (104,704) | (96,005)  |
| Debt securities issued                                 | (33,894)  | (39,212)  | (33,535)  | (38,767)  |
| Deposits from banks and other financial institutions   | (19,280)  | (14,895)  | (19,563)  | (15,322)  |
| Placements from banks and other financial institutions | (9,758)   | (5,230)   | (6,185)   | (3,044)   |
| Financial assets sold under repurchase agreements      | (5,879)   | (3,704)   | (5,401)   | (3,704)   |
| Borrowing from central bank                            | (4,974)   | (5,982)   | (4,963)   | (5,968)   |
| Subtotal                                               | (179,163) | (165,851) | (174,351) | (162,810) |
| <b>Net interest income</b>                             | 118,435   | 133,669   | 115,813   | 130,971   |

34 Net fee and commission income

|                                                      | The Group |         | The Bank |          |
|------------------------------------------------------|-----------|---------|----------|----------|
|                                                      | 2023      | 2022    | 2023     | 2022     |
| <b>Fee and commission income</b>                     |           |         |          |          |
| Fees from bank cards                                 | 13,344    | 14,403  | 13,344   | 14,402   |
| Custodian and other fiduciary activities commissions | 5,382     | 11,222  | 2,681    | 7,100    |
| Agency commissions                                   | 5,292     | 4,090   | 5,278    | 4,090    |
| Fees from investment banking activities              | 3,293     | 3,775   | 3,246    | 3,595    |
| Credit commitment fees                               | 2,424     | 2,093   | 2,424    | 2,092    |
| Settlement and clearing fees                         | 1,017     | 992     | 965      | 992      |
| Others                                               | 1,283     | 1,191   | 1,139    | 1,037    |
| Subtotal                                             | 32,035    | 37,766  | 29,077   | 33,308   |
| <b>Fee and commission expense</b>                    | (7,582)   | (9,075) | (7,980)  | (10,860) |
| <b>Net fee and commission income</b>                 | 24,453    | 28,691  | 21,097   | 22,448   |

35 Investment income

|                                                                    | Note | The Group     |               | The Bank      |               |
|--------------------------------------------------------------------|------|---------------|---------------|---------------|---------------|
|                                                                    |      | 2023          | 2022          | 2023          | 2022          |
| Financial investments:                                             |      |               |               |               |               |
| - Trading assets                                                   |      | 17,161        | 16,954        | 16,835        | 16,245        |
| - Debt investments                                                 |      | 2,419         | 2,683         | 2,370         | 2,683         |
| - Other debt investments                                           |      | (729)         | 321           | (623)         | 269           |
| - Other equity investments                                         |      | 67            | 121           | 67            | 121           |
| Derivative financial instruments                                   |      | 6,533         | 795           | 6,533         | 795           |
| Gain on disposal of bills                                          |      | 1,534         | 2,188         | 1,534         | 2,188         |
| Long-term equity investments accounted for using the equity method |      | 223           | 230           | 186           | 198           |
| Dividends from subsidiaries                                        |      | -             | -             | 296           | 125           |
| Precious metals                                                    |      | (3,843)       | (3,866)       | (3,843)       | (3,866)       |
| Others                                                             | (1)  | 4,540         | 451           | 301           | 450           |
| Total                                                              |      | <u>27,905</u> | <u>19,877</u> | <u>23,656</u> | <u>19,208</u> |

(1) In 2023, Shanghai International Trust transferred the equity of China International Fund Management, and the Group recognised investment income of RMB 4.241 billion.

36 Gains or losses from change of fair value

|                                                   | The Group    |                | The Bank     |                |
|---------------------------------------------------|--------------|----------------|--------------|----------------|
|                                                   | 2023         | 2022           | 2023         | 2022           |
| Trading assets                                    | 3,846        | (2,594)        | 3,811        | (1,277)        |
| Precious metals                                   | 3,571        | (3,069)        | 3,571        | (3,069)        |
| Hedged bonds                                      | 451          | (497)          | 451          | (497)          |
| Loans and advances to customers measured at FVTPL | (31)         | (103)          | (31)         | (103)          |
| Derivative financial instruments                  | (5,255)      | 2,396          | (5,255)      | 2,396          |
| Others                                            | (19)         | 13             | (19)         | 13             |
| Total                                             | <u>2,563</u> | <u>(3,854)</u> | <u>2,528</u> | <u>(2,537)</u> |

37 Foreign exchange gains

|                                                                             | The Group |         | The Bank |         |
|-----------------------------------------------------------------------------|-----------|---------|----------|---------|
|                                                                             | 2023      | 2022    | 2023     | 2022    |
| Gains or losses from investment in foreign exchange derivatives             | (2,059)   | 7,915   | (2,000)  | 7,871   |
| Gains or losses from changes in fair values of foreign exchange derivatives | (1,477)   | (1,223) | (1,477)  | (1,223) |
| Total                                                                       | (3,536)   | 6,692   | (3,477)  | 6,648   |

38 General and administrative expenses

|                                                               | The Group |        | The Bank |        |
|---------------------------------------------------------------|-----------|--------|----------|--------|
|                                                               | 2023      | 2022   | 2023     | 2022   |
| Staff costs                                                   |           |        |          |        |
| - Employee benefits                                           | 25,638    | 26,247 | 23,955   | 23,979 |
| - Post-employment benefits                                    | 2,869     | 2,690  | 2,684    | 2,513  |
| Depreciation and amortisation                                 | 7,075     | 6,801  | 6,876    | 6,598  |
| Short-term and low-value asset lease fees and Rental expenses | 344       | 374    | 308      | 289    |
| Others                                                        | 15,498    | 16,495 | 15,191   | 15,733 |
| Total                                                         | 51,424    | 52,607 | 49,014   | 49,112 |

39 Impairment on credit losses

|                                 | The Group |        | The Bank |        |
|---------------------------------|-----------|--------|----------|--------|
|                                 | 2023      | 2022   | 2023     | 2022   |
| Loans and advances to customers | 55,713    | 65,143 | 55,045   | 64,005 |
| Others                          | 21,041    | 10,809 | 20,473   | 10,631 |
| Total                           | 76,754    | 75,952 | 75,518   | 74,636 |

40 Income tax expense

|                             | The Group |         | The Bank |         |
|-----------------------------|-----------|---------|----------|---------|
|                             | 2023      | 2022    | 2023     | 2022    |
| Current income tax expense  | 7,461     | 11,864  | 4,530    | 10,127  |
| Deferred income tax expense | (4,198)   | (7,712) | (4,006)  | (7,381) |
| Total                       | 3,263     | 4,152   | 524      | 2,746   |

Reconciliations between the Group's income tax expenses calculated using the statutory tax rate and actual income tax expense are as follows:

|                                                                 | Note | The Group |          | The Bank |         |
|-----------------------------------------------------------------|------|-----------|----------|----------|---------|
|                                                                 |      | 2023      | 2022     | 2023     | 2022    |
| Profit before income tax                                        |      | 40,692    | 56,149   | 33,457   | 51,225  |
| Tax calculated at statutory tax rate of the PRC                 |      | 10,173    | 14,037   | 8,364    | 12,806  |
| Tax effect from other various tax rates adopted by subsidiaries |      | 45        | 49       | -        | -       |
| Tax effect of non-deductible expenses                           | (1)  | 3,275     | 982      | 3,178    | 671     |
| Tax effect of non-taxable income                                |      | (10,172)  | (10,035) | (10,013) | (9,841) |
| Other tax adjustments                                           |      | (58)      | (881)    | (1,005)  | (890)   |
| Income tax expense                                              |      | 3,263     | 4,152    | 524      | 2,746   |

(1) Non-deductible expenses mainly refer to non-deductible asset write-off losses.

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 2023, 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

|                                                                               | 2023    | 2022    |
|-------------------------------------------------------------------------------|---------|---------|
| Profit for the year attributable to shareholders of the Bank                  | 36,702  | 51,171  |
| 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   | 31,349  | 45,818  |
| Weighted average number of outstanding share capital (million)                | 29,352  | 29,352  |
| Basic EPS (RMB)                                                               | 1.07    | 1.56    |

(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

|                                                                                                                             | 2023   | 2022   |
|-----------------------------------------------------------------------------------------------------------------------------|--------|--------|
| Net profit for the current year attributable to shareholders of the Bank                                                    | 31,349 | 45,818 |
| Add: Interest expenses of convertible corporate bonds in the current year (after tax)                                       | 1,504  | 1,471  |
| Net profit for calculating diluted earnings per share this year                                                             | 32,853 | 47,289 |
| 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) | 3,687  | 3,579  |
| Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)     | 33,039 | 32,931 |
| Diluted earnings per share (RMB)                                                                                            | 0.99   | 1.44   |

42 Cash and cash equivalents

|                                                                                                           | The Group           |                     | The Bank            |                     |
|-----------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                                           | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Cash                                                                                                      | 6,333               | 5,544               | 6,198               | 5,403               |
| Surplus reserves with central bank                                                                        | 206,375             | 105,479             | 204,313             | 103,168             |
| Deposits with banks and other financial institutions with original maturities no more than three months   | 66,048              | 130,591             | 59,856              | 126,095             |
| Placements with banks and other financial institutions with original maturities no more than three months | 40,417              | 19,324              | 41,622              | 22,189              |
| Financial assets purchased under resale agreements with original maturities no more than three months     | 42,954              | 111,366             | 42,954              | 111,366             |
| Total                                                                                                     | <u>362,127</u>      | <u>372,304</u>      | <u>354,943</u>      | <u>368,221</u>      |

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  |           |
|---------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                                                       | 2023      | 2022      | 2023      | 2022      |
| Net profit                                                                            | 37,429    | 51,997    | 32,933    | 48,479    |
| Add: Impairment on credit losses                                                      | 76,754    | 75,952    | 75,518    | 74,636    |
| Impairment losses on other assets                                                     | 109       | 47        | 70        | 38        |
| Depreciations and amortizations                                                       | 8,575     | 7,828     | 6,876     | 6,598     |
| Interest expense on lease liabilities                                                 | 257       | 294       | 247       | 283       |
| Net gains from disposal of fixed assets, intangible assets and other long-term assets | (72)      | (84)      | (74)      | (12)      |
| Net (gains) / losses from changes in fair value                                       | (2,563)   | 3,854     | (2,528)   | 2,537     |
| Foreign exchange losses                                                               | 1,477     | 1,223     | 1,477     | 1,223     |
| Interest expenses on debt securities issued                                           | 33,894    | 39,212    | 33,535    | 38,767    |
| Interest income from investment in debt instruments                                   | (65,896)  | (63,129)  | (64,562)  | (62,585)  |
| Net investment gains                                                                  | (20,056)  | (16,412)  | (16,213)  | (16,086)  |
| Increase in deferred tax assets                                                       | (4,571)   | (7,715)   | (4,006)   | (7,381)   |
| Increase in deferred tax liabilities                                                  | 373       | 3         | -         | -         |
| Increase in operating receivables                                                     | (279,302) | (236,489) | (253,174) | (240,404) |
| Increase in operating payables                                                        | 601,989   | 508,518   | 546,637   | 468,254   |
| Net cash flows generated from operating activities                                    | 388,397   | 365,099   | 356,736   | 314,347   |

(b) Changes in cash and cash equivalents

|                                                              | The Group |           | The Bank  |           |
|--------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                              | 2023      | 2022      | 2023      | 2022      |
| Cash and cash equivalents at the end of the year             | 362,127   | 372,304   | 354,943   | 368,221   |
| Less: Cash and cash equivalents at the beginning of the year | (372,304) | (216,126) | (368,221) | (207,552) |
| Net (decrease)/increase in cash and cash equivalents         | (10,177)  | 156,178   | (13,278)  | 160,669   |

(c) Monetary funds other than cash and cash equivalents

|                                                        | The Group |         | The Bank |         |
|--------------------------------------------------------|-----------|---------|----------|---------|
|                                                        | 2023      | 2022    | 2023     | 2022    |
| Cash and balances with central bank                    | 324,258   | 345,895 | 321,877  | 343,977 |
| Deposits with banks and other financial institutions   | 39,451    | 37,437  | 29,160   | 31,732  |
| Placements with banks and other financial institutions | 407,199   | 340,987 | 415,060  | 344,522 |
| Financial assets purchased under resale agreements     | 1,703     | -       | 1,703    | -       |
| Total                                                  | 772,611   | 724,319 | 767,800  | 720,231 |

The above funds are not cash and cash equivalents as they have weak liquidity due to the fact that they cannot be withdrawn at any time, their usages are restricted, or they are held for a long period.

(d) Liabilities arising from financing activities

The Group's liabilities arising from financing activities include all types of liabilities related to financing activities, such as debt securities issued, and information on the related changes is detailed in the consolidated statement of cash flows.



(e) Information on disposal of subsidiaries

|                                                                                                 | 2023         |
|-------------------------------------------------------------------------------------------------|--------------|
| Consideration for disposals                                                                     | 7,241        |
| Cash or cash equivalents received during the year for disposing of subsidiaries during the year | 7,241        |
| Including:                                                                                      |              |
| Less: Cash and cash equivalents held by subsidiaries                                            | (833)        |
| Net proceeds from disposal of subsidiaries                                                      | <u>6,408</u> |
| Non-cash assets and liabilities held by the disposed subsidiaries                               |              |
| - Assets                                                                                        | 4,009        |
| - Liabilities                                                                                   | <u>525</u>   |

The above subsidiaries disposed of mainly represent China International Fund Management, please see Note VI.1.3 for details.

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*

The Group sells credit assets to structured entities, which then issue asset-backed securities to investors. The partial securitization transactions conducted by the Group will result in the Group terminating the recognition of all transferred financial assets. For the year ended 31 December 2023, the Group transferred financial assets amounted to RMB 26,141 million through assets backed securitization transactions, and all have met the requirement of derecognition (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).

As at 31 December 2023, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 35,874 million (31 December 2022: 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 2023, the assets value of the Group's continued recognition was RMB 4,650 million (31 December 2022: RMB 4,650 million).

#### *Transfer of loans assets*

For the year ended 31 December 2023, the Group directly transferred and derecognized a total amount of RMB 9,515 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 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).

#### *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 2023, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 64,575 million (31 December 2022: RMB 67,632million).

## 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 | Registered capital | Obtaining method | Share-holding percentage (direct) |
|---------------------------------------------|------------------------|-----------------------|--------------------|------------------|-----------------------------------|
| SPDB Financial Leasing Co., Ltd.            | Shanghai               | Shanghai              | CNY 5,000,000,000  | Establishment    | 61.02%                            |
| Shanghai International Trust                | Shanghai               | Shanghai              | CNY 5,000,000,000  | Acquisition      | 97.33%                            |
| SPDB International Holding ,Ltd.            | Hong Kong              | Hong Kong             | HKD 505,000,000    | Acquisition      | 100.00%                           |
| SPDB wealth management Co., Ltd.            | Shanghai               | Shanghai              | CNY 5,000,000,000  | Establishment    | 100.00%                           |
| Mianzhu SPD Rural Bank Co., Ltd.            | Mianzhu, Sichuan       | Mianzhu, Sichuan      | CNY 50,000,000     | Establishment    | 55.00%                            |
| Liyang SPD Rural Bank Co., Ltd.             | Liyang, Jiangsu        | Liyang, Jiangsu       | CNY 150,000,000    | Establishment    | 51.00%                            |
| Gongyi SPD Rural Bank Co., Ltd.             | Gongyi, Henan          | Gongyi, Henan         | CNY 150,000,000    | Establishment    | 51.00%                            |
| Fengxian SPD Rural Bank Co., Ltd.           | Fengxian, Shanghai     | Fengxian, Shanghai    | CNY 150,000,000    | Establishment    | 51.00%                            |
| Zixing SPD Rural Bank Co., Ltd.             | Zixing, Hunan          | Zixing, Hunan         | CNY 150,000,000    | Establishment    | 51.00%                            |
| Chongqing Banan SPD Rural Bank Co., Ltd.    | Banan, Chongqing       | Banan, Chongqing      | CNY 50,000,000     | Establishment    | 51.00%                            |
| Zouping SPD Rural Bank Co., Ltd.            | Zouping, Shandong      | Zouping, Shandong     | CNY 150,000,000    | Establishment    | 51.00%                            |
| Zezhou SPD Rural Bank Co., Ltd.             | Jincheng, Shanxi       | Jincheng, Shanxi      | CNY 150,000,000    | Establishment    | 51.00%                            |
| Dalian Ganjingzi SPD Rural Bank Co., Ltd.   | Dalian, Liaoning       | Dalian, Liaoning      | CNY 50,000,000     | Establishment    | 51.00%                            |
| Hancheng SPD Rural Bank Co., Ltd.           | Hancheng, Shaanxi      | Hancheng, Shaanxi     | CNY 50,000,000     | Establishment    | 51.00%                            |
| Jiangyin SPD Rural Bank Co., Ltd.           | Jiangyin, Jiangsu      | Jiangyin, Jiangsu     | CNY 100,000,000    | Establishment    | 51.00%                            |
| Pingyang SPD Rural Bank Co., Ltd.           | Pingyang, Zhejiang     | Pingyang, Zhejiang    | CNY 100,000,000    | Establishment    | 51.00%                            |
| Xinchang SPD Rural Bank Co., Ltd.           | Xinchang, Zhejiang     | Xinchang, Zhejiang    | CNY 100,000,000    | Establishment    | 51.00%                            |
| Yuanjiang SPD Rural Bank Co., Ltd.          | Yuanjiang, Hunan       | Yuanjiang, Hunan      | CNY 50,000,000     | Establishment    | 51.00%                            |
| Chaling SPD Rural Bank Co., Ltd.            | Zhuzhou, Hunan         | Zhuzhou, Hunan        | CNY 50,000,000     | Establishment    | 51.00%                            |
| Linchuan SPD Rural Bank Co., Ltd.           | Fuzhou, Jiangxi        | Fuzhou, Jiangxi       | CNY 100,000,000    | Establishment    | 51.00%                            |
| Linwu SPD Rural Bank Co., Ltd.              | Chenzhou, Hunan        | Chenzhou, Hunan       | CNY 50,000,000     | Establishment    | 51.00%                            |
| Hengnan SPD Rural Bank Co., Ltd.            | Hengyang, Hunan        | Hengyang, Hunan       | CNY 50,000,000     | Establishment    | 51.00%                            |
| Haerbin Hulan SPD Rural Bank Co., Ltd.      | Haerbin, Heilongjiang  | Haerbin, Heilongjiang | CNY 100,000,000    | Establishment    | 51.00%                            |
| Gongzhuling SPD Rural Bank Co., Ltd.        | Siping, Jilin          | Siping, Jilin         | CNY 50,000,000     | Establishment    | 51.00%                            |
| Yuzhong SPD Rural Bank Co., Ltd.            | Lanzhou, Gansu         | Lanzhou, Gansu        | CNY 50,000,000     | Establishment    | 51.00%                            |
| Fumin SPD Rural Bank Co., Ltd.              | Fumin, Yunnan          | Fumin, Yunnan         | CNY 50,000,000     | Establishment    | 51.00%                            |
| Ningbo Haishu Rural Bank Co., Ltd.          | Ningbo, Zhejiang       | Ningbo, Zhejiang      | CNY 100,000,000    | Establishment    | 51.00%                            |
| Urumchi Midong SPD Rural Bank Co., Ltd.     | Urumchi, Xinjiang      | Urumchi, Xinjiang     | CNY 100,000,000    | Establishment    | 51.00%                            |
| Tianjin Baodi SPD Rural Bank Co., Ltd.      | Baodi, Tianjin         | Baodi, Tianjin        | CNY 100,000,000    | Establishment    | 51.00%                            |
| Chongqing Tongliang SPD Rural Bank Co., Ltd | Tongliang, Chongqing   | Tongliang, Chongqing  | CNY 50,000,000     | Establishment    | 51.00%                            |
| Qianxinan yilong SPD Rural Bank Co., Ltd.   | Yilong, Guizhou        | Yilong, Guizhou       | CNY 50,000,000     | Establishment    | 51.00%                            |
| Fufeng SPD Rural Bank Co., Ltd.             | Baoji, Shaanxi         | Baoji, Shaanxi        | CNY 50,000,000     | Establishment    | 51.00%                            |

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.

## 1.3 Disposal of subsidiaries

China International Fund Management was jointly established in 2004 by Shanghai International Trust, a controlling subsidiary of the bank, and JPMorgan Asset. Shanghai Trust held 51% of the shares and JPMorgan Asset 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 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 was delisted with no less than RMB 7 billion. As at the balance sheet date, Shanghai International Trust has completed the equity transaction of China International Fund Management with JPMorgan Asset.

## 2 Interests in joint ventures and associates

### 2.1 General information of major joint ventures and associates

| Name of the investee                   | Note | Place of main business | Place of registration | Strategic investment | Share-holding percentage (Direct) | Business nature    |
|----------------------------------------|------|------------------------|-----------------------|----------------------|-----------------------------------|--------------------|
| Joint ventures:                        |      |                        |                       |                      |                                   |                    |
| AXA SPDB Investment Managers Co., Ltd. | (a)  | Shanghai               | Shanghai              | Y                    | 51%                               | Financial industry |
| SPD Silicon Valley Bank Co., Ltd.      |      | Shanghai               | Shanghai              | Y                    | 50%                               | Financial industry |

Equity investments above-mentioned are all accounted for by equity method.

- (a) According to the Articles of Association of AXA SPDB Investment Managers Co., Ltd., resolutions on certain significant operations and finance decisions shall be approved by shareholders representing more than two-thirds voting shares. These resolutions are involved with the Company's strategic plans, investment plans, authorization on the Board of Directors for approval of annual financial budget and settlement plans, approval of profit appropriations and plans to cover accumulated losses, and approval of equity transfers and modification of the Articles of Association, etc. Although the Group owns 51% voting shares of AXA SPDB Investment Management Co., Ltd., it has to exercise influences over the company jointly with other major shareholders.

### 2.2 Key financial information of major joint ventures and associates

The Group's joint ventures and associates are all unlisted companies. The Group is of the view that these joint ventures and associates are not material to the Group in terms of their aggregated net profit and net assets.

## VII Involvement with unconsolidated structured entities

- 1 Structured entities sponsored by third party institutions in which the Group holds an interest.

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include fund investment, equity investments, capital trust and asset management plans, wealth management products, ABS and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

|                                          | The Group |          |
|------------------------------------------|-----------|----------|
|                                          | 31        | 31       |
|                                          | December  | December |
|                                          | 2023      | 2022     |
| Carrying amount                          |           |          |
| Trading assets                           |           |          |
| Fund investments                         | 434,606   | 357,183  |
| Equity investment                        | 11,109    | 10,371   |
| Capital trust and asset management plans | 10,220    | 9,761    |
| ABS                                      | 1,927     | 4,683    |
| Other investments                        | 6,613     | 6,560    |
| Debt investments                         |           |          |
| Capital trust and asset management plans | 258,210   | 372,761  |
| ABS                                      | 66        | 207      |
| Other debt investments                   |           |          |
| ABS                                      | 6,302     | 2,886    |
| Other equity investments                 |           |          |
| Reposessed equity instruments            | 502       | 828      |
| Other investments                        | 1,575     | 1,575    |

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 2023, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, were RMB 1,079,618 million (31 December 2022: RMB 980,263 million) respectively.

In 2023 and 2022, the Group did not provide material financial support to the Group's wealth management products.

As at 31 December 2023, the amount of assets held by the unconsolidated capital trust and asset management plans, which are sponsored by the Group, were RMB 370,713 million (31 December 2022: RMB 305,463 million) respectively.

As at 31 December 2023, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 3,922 million (31 December 2022: RMB 201,225 million) respectively.

As at 31 December 2023, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 114,637 million (31 December 2022: RMB 136,737 million) respectively.

In 2023, the Group's commission income from providing services to the wealth management products and Trust plans was RMB 2.394 billion and RMB 1.284 billion, respectively. (In 2022: RMB 5.199 billion and RMB 2.494 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 2023

The total amount of the wealth management products sponsored and issued by the Group after 1 January 2023 and matured before 31 December 2023 was RMB 57,116 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 31 December 2022 is not significant ).

The total amount of ABS issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB 753 million (The total amount of ABS issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB 502 million).

There was no trust plans or investments in funds issued by the Group after 1 January 2023 and expired before 31 December 2023.

## VIII SEGMENT REPORTING

Top management of the Group reviews the performance of the Bank's branches and subsidiaries in different economic regions from geographic perspective. The branches and subsidiaries of the Bank mainly provide services to local customers domiciled in respective geographic areas, therefore operating segments are analysed principally based on the location of the assets. The operating segments' principal income are mainly from various commercial and investment banking services, including deposits and loans, discounted bills, trade finance, inter-bank money market and investments etc.

The Group's operating segments of different regions are set out as follows:

|                             |                                                                                                                              |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Headquarter:                | Headquarters (including the direct institutions under headquarters and the branches)                                         |
| Yangtze River Delta:        | Branches in Shanghai, Jiangsu, Zhejiang, Anhui                                                                               |
| Pearl River Delta and       |                                                                                                                              |
| West Side of Taiwan Strait: | Branches in Guangdong and Fujian                                                                                             |
| Bohai Rim:                  | Branches in Beijing, Tianjin, Hebei and Shandong                                                                             |
| Central China:              | Branches in Shanxi, Henan, Hubei, Hunan, Jiangxi and Hainan                                                                  |
| Western China:              | Branches in Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongoli and Tibet |
| North-east China:           | Branches in Liaoning, Jilin and Heilongjiang                                                                                 |
| Overseas and subsidiaries:  | Overseas branches and domestic and overseas subsidiaries                                                                     |

| For the year from 1 January 2023 to 31 December 2023 |             |                     |                                                  |           |               |               |                  |                           |             |           |
|------------------------------------------------------|-------------|---------------------|--------------------------------------------------|-----------|---------------|---------------|------------------|---------------------------|-------------|-----------|
|                                                      | 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                                  | 67,701      | 38,381              | 12,554                                           | 13,922    | 11,807        | 10,971        | 3,057            | 15,305                    | (264)       | 173,434   |
| Interest income                                      | 134,215     | 89,228              | 33,607                                           | 35,024    | 22,552        | 26,518        | 8,349            | 18,555                    | (70,450)    | 297,598   |
| Including:                                           |             |                     |                                                  |           |               |               |                  |                           |             |           |
| External interest income                             | 120,161     | 61,110              | 23,118                                           | 24,075    | 21,122        | 24,469        | 6,503            | 17,040                    | -           | 297,598   |
| Internal interest income                             | 14,054      | 28,118              | 10,489                                           | 10,949    | 1,430         | 2,049         | 1,846            | 1,515                     | (70,450)    | -         |
| Interest expense                                     | (98,699)    | (56,081)            | (24,264)                                         | (22,433)  | (11,760)      | (15,652)      | (5,225)          | (15,507)                  | 70,458      | (179,163) |
| Including:                                           |             |                     |                                                  |           |               |               |                  |                           |             |           |
| External interest expense                            | (52,994)    | (49,789)            | (15,656)                                         | (21,451)  | (11,191)      | (9,387)       | (5,050)          | (13,645)                  | -           | (179,163) |
| Internal interest expense                            | (45,705)    | (6,292)             | (8,608)                                          | (982)     | (569)         | (6,265)       | (175)            | (1,862)                   | 70,458      | -         |
| Net fee and commission income / (expense)            | 12,181      | 4,416               | 2,796                                            | 944       | 811           | (334)         | (93)             | 3,733                     | (1)         | 24,453    |
| Investment income                                    | 20,093      | 1,401               | 296                                              | 278       | 195           | 296           | 118              | 5,230                     | (2)         | 27,905    |
| Other income                                         | 12          | 41                  | 12                                               | 18        | 12            | 88            | 2                | 552                       | -           | 737       |
| Net gains arising from financial investments         | 3,369       | (121)               | (31)                                             | (62)      | (43)          | 26            | (112)            | (463)                     | -           | 2,563     |
| Foreign exchange income                              | (3,533)     | (520)               | 60                                               | 96        | 35            | 19            | 19               | 288                       | -           | (3,536)   |
| Other operating income                               | 68          | 11                  | 1                                                | 58        | 11            | 5             | 1                | 2,919                     | (269)       | 2,805     |
| Impairment losses                                    | (5)         | 6                   | 77                                               | (1)       | (6)           | 5             | (2)              | (2)                       | -           | 72        |
| II. Operating expense                                | (69,126)    | (15,434)            | (7,485)                                          | (9,871)   | (11,162)      | (9,593)       | (1,176)          | (9,115)                   | 264         | (132,698) |
| Taxes and surcharges                                 | (468)       | (547)               | (212)                                            | (206)     | (179)         | (210)         | (64)             | (116)                     | -           | (2,002)   |
| General administrative expenses                      | (17,616)    | (10,946)            | (4,009)                                          | (5,304)   | (3,820)       | (4,722)       | (1,816)          | (3,455)                   | 264         | (51,424)  |
| Impairment on credit losses                          | (51,042)    | (3,904)             | (3,259)                                          | (4,313)   | (7,154)       | (4,659)       | 739              | (3,162)                   | -           | (76,754)  |
| Impairment losses on other assets                    | -           | (32)                | (2)                                              | -         | (3)           | -             | (33)             | (39)                      | -           | (109)     |
| Other operating expense                              | -           | (5)                 | (3)                                              | (48)      | (6)           | (2)           | (2)              | (2,343)                   | -           | (2,409)   |
| III. Operating (losses)/profit                       | (1,425)     | 22,947              | 5,069                                            | 4,051     | 645           | 1,378         | 1,881            | 6,190                     | -           | 40,736    |
| Add: Non-operating income                            | 26          | 19                  | 3                                                | 9         | 7             | 14            | 4                | 19                        | -           | 101       |
| Less: Non-operating expenses                         | (35)        | (65)                | (2)                                              | (5)       | (15)          | (6)           | (9)              | (8)                       | -           | (145)     |
| IV. Total segment (losses)/profit before tax         | (1,434)     | 22,901              | 5,070                                            | 4,055     | 637           | 1,386         | 1,876            | 6,201                     | -           | 40,692    |



| 31 December 2023                               |             |                     |                                                  |             |               |               |                  |                           |             |             |
|------------------------------------------------|-------------|---------------------|--------------------------------------------------|-------------|---------------|---------------|------------------|---------------------------|-------------|-------------|
|                                                | 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                | 473,394     | 1,644,988           | 655,933                                          | 624,499     | 510,431       | 614,887       | 181,805          | 202,147                   | (3,388)     | 4,904,696   |
| Total segment assets                           | 4,862,615   | 2,648,207           | 847,115                                          | 1,062,367   | 574,144       | 677,805       | 249,311          | 475,107                   | (2,389,424) | 9,007,247   |
| Deposits from customers                        | (85,165)    | (2,189,911)         | (642,747)                                        | (841,035)   | (503,646)     | (475,563)     | (209,478)        | (113,155)                 | 356         | (5,060,344) |
| Total segment liabilities                      | (4,192,761) | (2,625,461)         | (842,033)                                        | (1,058,587) | (573,483)     | (676,594)     | (248,186)        | (446,682)                 | 2,389,424   | (8,274,363) |
| Segment net position of assets and liabilities | 669,854     | 22,746              | 5,082                                            | 3,780       | 661           | 1,211         | 1,125            | 28,425                    | -           | 732,884     |

|                                              | 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                       | 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     |

## IX CONTINGENCIES AND COMMITMENTS

### 1 Credit commitments

The Group's credit commitments are listed as follows:

|                             | 31 December<br>2023 | 31 December 2022 |
|-----------------------------|---------------------|------------------|
| Bank acceptance bills       | 679,362             | 729,985          |
| Credit cards commitments    | 659,296             | 662,248          |
| Other loan commitments      | 300,182             | 41,987           |
| Letters of credit issued    | 261,517             | 236,245          |
| Letters of guarantee issued | 108,672             | 109,643          |
| Total                       | <u>2,009,029</u>    | <u>1,780,108</u> |

### 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 2023, the outstanding principal value of the commitment on redemption treasury bonds sold by the Group amounted to RMB 4,665 million (31 December 2022: RMB 7,781 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 by the Group before the maturity dates will not be material.

### 3 Capital commitments

As at 31 December 2023, the major capital commitments the Group had signed but not paid amounted to RMB 10,395 million (31 December 2022: RMB 7,540 million). Additionally, as at 31 December 2023, the amount of the procurement plan of operating fixed assets that the Bank's subsidiaries had signed but not paid was RMB 2,324 million (31 December 2022: RMB 4,058 million), the amount of the financial lease contract that the Bank's subsidiaries had signed but not yet valid was RMB 11,311 million (31 December 2022: RMB 6,274 million).

As at 31 December 2023, the major capital commitments the Group had approved but not signed amounted to RMB 4,337 million (31 December 2022: RMB 5,330 million).

### 4 Legal proceedings

As at 31 December 2023, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 162 and 134, respectively. The corresponding amount involved was about RMB 4,212 million and RMB 610 million, respectively, the possibility of loss for other cases were assessed about RMB 27 million (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).

## 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 2023, the balance of entrusted loan business was RMB 61,420 million (As at 31 December 2022: RMB 67,363 million).

## XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

As at 31 December 2023 and 31 December 2022, major shareholders holding more than 5% ordinary shares of the Bank are as follows:

|                                                   | Direct<br>shareholding<br>percentage | Major business           |
|---------------------------------------------------|--------------------------------------|--------------------------|
| Shanghai International Group Co., Ltd.            | 21.57%                               | Investment Management    |
| China Mobile Group Guangdong Company Limited      | 18.18%                               | Mobile and Communication |
| Funde Sino Life Insurance Co., Ltd. – Traditional | 9.47%                                | Insurance Business       |
| Funde Sino Life Insurance Co., Ltd. – Capital     | 6.01%                                | Insurance Business       |

### 2 Other shareholders who exert significant influence on the Bank

As of December 31, 2023 and 2022, other shareholders exerting significant influence on the Bank include:

|                                                   | Direct shareholding<br><u>percentage</u> | <u>Major Business</u> |
|---------------------------------------------------|------------------------------------------|-----------------------|
| 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.

## 6 Transactions and balances with related parties

The amounts of material transactions between the Group and its related parties and related balances at the balance sheet date are summarised as follows:

|                                                                                                           | Major<br>shareholders | Joint ventures and<br>associates | Other major<br>related parties -<br>group companies<br>of major<br>shareholders<br>(exclusive) | Other major<br>related parties -<br>companies with<br>significant<br>influence by key<br>management<br>personnel<br>(exclusive) | Other major<br>related parties -<br>individuals | Total   | Proportion of<br>relavent<br>transactions<br>and balances |
|-----------------------------------------------------------------------------------------------------------|-----------------------|----------------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------|-----------------------------------------------------------|
| Amounts of significant<br>transactions from<br>1 January 2023 to<br>31 December 2023<br>are listed below: |                       |                                  |                                                                                                |                                                                                                                                 |                                                 |         |                                                           |
| Interest income                                                                                           | -                     | -                                | 373                                                                                            | 27                                                                                                                              | 1                                               | 401     | 0.13%                                                     |
| Interest expense                                                                                          | (330)                 | (16)                             | (1,513)                                                                                        | (65)                                                                                                                            | (1)                                             | (1,925) | 1.07%                                                     |
| Net fee and<br>commission income                                                                          | 7                     | 1                                | 35                                                                                             | 6                                                                                                                               | 1                                               | 50      | 0.16%                                                     |
| Investment income                                                                                         | -                     | 223                              | -                                                                                              | 174                                                                                                                             | -                                               | 397     | 1.42%                                                     |
| Gains or losses from<br>change of fair value                                                              | -                     | 147                              | 8                                                                                              | 10                                                                                                                              | -                                               | 165     | 6.44%                                                     |
| Foreign exchange gains                                                                                    | -                     | (10)                             | (24)                                                                                           | 110                                                                                                                             | -                                               | 76      | -2.15%                                                    |
| Operating expenses                                                                                        | (11)                  | -                                | (328)                                                                                          | -                                                                                                                               | -                                               | (339)   | 0.66%                                                     |
| Other comprehensive<br>income                                                                             | 1                     | -                                | -                                                                                              | -                                                                                                                               | -                                               | 1       | 0.02%                                                     |

|                                                           | Major<br><u>shareholders</u> | Joint ventures and<br><u>associates</u> | Other major related<br>parties - group<br>companies<br>of major<br>shareholders<br><u>(exclusive)</u> | Other major related<br>parties - companies<br>with<br>significant influence<br>by key management<br>personnel<br><u>(exclusive)</u> | Other major related<br>parties - individuals | <u>Total</u> | Proportion of<br>relevant<br>transactions and<br><u>balances</u> |
|-----------------------------------------------------------|------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|--------------|------------------------------------------------------------------|
| Significant item balances at 31<br>December 2023:         |                              |                                         |                                                                                                       |                                                                                                                                     |                                              |              |                                                                  |
| Deposits with banks and other<br>financial institutions   | -                            | -                                       | 27                                                                                                    | 61                                                                                                                                  | -                                            | 88           | 0.08%                                                            |
| Placements with banks and<br>other financial institutions | -                            | -                                       | 9,100                                                                                                 | 1,994                                                                                                                               | -                                            | 11,094       | 2.46%                                                            |
| Loans and advances to<br>customers                        | -                            | -                                       | 2,438                                                                                                 | 997                                                                                                                                 | 17                                           | 3,452        | 0.07%                                                            |
| Derivative financial assets                               | -                            | 11                                      | 48                                                                                                    | 379                                                                                                                                 | -                                            | 438          | 0.78%                                                            |
| Financial investments:                                    |                              |                                         |                                                                                                       |                                                                                                                                     |                                              |              |                                                                  |
| - Trading assets                                          | -                            | -                                       | -                                                                                                     | 3,049                                                                                                                               | -                                            | 3,049        | 0.39%                                                            |
| - Other debt investments                                  | 371                          | -                                       | -                                                                                                     | -                                                                                                                                   | -                                            | 371          | 0.06%                                                            |
| - Other equity investments                                | -                            | -                                       | 518                                                                                                   | 956                                                                                                                                 | -                                            | 1,474        | 21.90%                                                           |
| Long-term equity investments                              | -                            | 2,825                                   | -                                                                                                     | -                                                                                                                                   | -                                            | 2,825        | 100.00%                                                          |
| Other assets                                              | -                            | -                                       | 2                                                                                                     | -                                                                                                                                   | -                                            | 2            | 0.01%                                                            |
| Deposits from banks and other<br>financial institutions   | -                            | (1,596)                                 | (25,092)                                                                                              | (4,593)                                                                                                                             | -                                            | (31,281)     | 3.16%                                                            |
| Derivative financial liabilities                          | -                            | (19)                                    | (28)                                                                                                  | (279)                                                                                                                               | -                                            | (326)        | 0.62%                                                            |
| Deposits from customers                                   | (6,047)                      | -                                       | (41,294)                                                                                              | -                                                                                                                                   | (27)                                         | (47,368)     | 0.94%                                                            |
| Other liabilities                                         | (2)                          | -                                       | (8)                                                                                                   | -                                                                                                                                   | -                                            | (10)         | 0.03%                                                            |
| Significant off-balance item at<br>31 December 2023       |                              |                                         |                                                                                                       |                                                                                                                                     |                                              |              |                                                                  |
| Letters of guarantee issued                               | -                            | -                                       | 94                                                                                                    | -                                                                                                                                   | -                                            | 94           | 0.09%                                                            |
| Credit cards commitments                                  | -                            | -                                       | -                                                                                                     | -                                                                                                                                   | 13                                           | 13           | 0.01%                                                            |
| Fiduciary business                                        | -                            | -                                       | 1,338                                                                                                 | -                                                                                                                                   | -                                            | 1,338        | 2.18%                                                            |
| Guarantees provided for credit<br>business                | -                            | -                                       | 3,562                                                                                                 | -                                                                                                                                   | -                                            | 3,562        | 0.12%                                                            |
| Bank acceptance bill                                      | -                            | -                                       | 457                                                                                                   | -                                                                                                                                   | -                                            | 457          | 0.07%                                                            |
| Issuing wealth management<br>products funds               | -                            | -                                       | -                                                                                                     | 200                                                                                                                                 | -                                            | 200          | 0.02%                                                            |
| Notional principal of derivative<br>financial instruments | -                            | 2,440                                   | 9,544                                                                                                 | 63,349                                                                                                                              | -                                            | 75,333       | 0.99%                                                            |

Note (1): As at 31 December 2023, key management of the Bank possessed a total number of 659,600 shares of common stock issued by the Bank.

Note (2): On 31 December 2023, China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank.

|                                                                                               | <u>Major<br/>shareholders</u> | <u>Joint ventures and<br/>associates</u> | <u>Other major<br/>related parties -<br/>group companies<br/>of major<br/>shareholders<br/>(exclusive)</u> | <u>Other major<br/>related parties -<br/>companies with<br/>significant<br/>influence by key<br/>management<br/>personnel<br/>(exclusive)</u> | <u>Other major<br/>related parties -<br/>individuals</u> | <u>Total</u> | <u>Proportion of<br/>related<br/>transactions<br/>and balances</u> |
|-----------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------|--------------------------------------------------------------------|
| Amounts of significant transactions from 1 January 2022 to 31 December 2022 are listed below: |                               |                                          |                                                                                                            |                                                                                                                                               |                                                          |              |                                                                    |
| 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%                                                             |



|                                                        | Major<br>shareholders | Joint ventures and<br>associates | Other major related<br>parties - group<br>companies<br>of major<br>shareholders<br>(exclusive) | Other major related<br>parties - companies<br>with<br>significant influence<br>by key management<br>personnel<br>(exclusive) | Other major related<br>parties - individuals | Total    | Proportion of<br>relevant<br>transactions and<br>balances |
|--------------------------------------------------------|-----------------------|----------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------|-----------------------------------------------------------|
| Significant item balances at 31 December 2022:         |                       |                                  |                                                                                                |                                                                                                                              |                                              |          |                                                           |
| 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                             | -                     | -                                | 518                                                                                            | 956                                                                                                                          | -                                            | 1,474    | 18.73%                                                    |
| 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)    | 0.05%                                                     |
| 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                | -                     | -                                | 400                                                                                            | 8,639                                                                                                                        | -                                            | 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.

## 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:

|                                                                             | 31 December<br>2023 | 31 December<br>2022 |
|-----------------------------------------------------------------------------|---------------------|---------------------|
| Balances at the year end:                                                   |                     |                     |
| Deposits with banks and other financial institutions                        | 101                 | 100                 |
| Placements with banks and other financial institutions                      | 9,373               | 6,751               |
| Loans and advances to customers                                             | 3,388               | 2,203               |
| Other debt investments                                                      | 1                   | 252                 |
| Deposits to and placements from banks and other financial institutions      | 11,055              | 13,424              |
| Derivative financial liabilities                                            | 8                   | 16                  |
| Deposits from customers                                                     | 356                 | 781                 |
| Other current accounts                                                      | (86)                | 99                  |
| Transactions during the year:                                               | 2023                | 2022                |
| Interest income from deposits from banks and other financial institutions   | 2                   | 2                   |
| Interest income from placements from banks and other financial institutions | 205                 | 118                 |
| Gains or losses from change of fair value                                   | (8)                 | 16                  |
| Interest income from loans and advances to customers                        | 140                 | 81                  |
| Interest income from other debt investments                                 | 8                   | 13                  |
| Interest expenses on deposits from banks and other financial institutions   | 281                 | 362                 |
| Interest expenses on deposits from customers                                | 8                   | 6                   |
| Fee and commission income                                                   | 83                  | 46                  |
| Fee and commission expense                                                  | 43                  | 1,839               |
| Other income                                                                | 4                   | 6                   |
| General and administrative expenses                                         | 257                 | 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:

|                                          | 2023      | 2022      |
|------------------------------------------|-----------|-----------|
| Compensation of key management personnel | <u>17</u> | <u>20</u> |

The Compensation of key management personnel are remuneration without social insurance paid in 2023 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

Major credit related transactions to related parties 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 accumulated transaction amount between the Bank and a related party accounts for more than 5% of the latest audited net assets of the Bank.

In 2023, the newly added major related party credit in major credited related transactions between the Bank and related parties outside the Group are as follows:

| <u>Related parties</u>                      | <u>Total credit limit to related parties<br/>and other companies in their group</u> |
|---------------------------------------------|-------------------------------------------------------------------------------------|
| China Tobacco                               | 27,000                                                                              |
| Guotai Junan Securities Co., Ltd.           | 24,600                                                                              |
| Shanghai International Group Co., Ltd.      | 23,040                                                                              |
| Bailian Group Co., Ltd.                     | 13,000                                                                              |
| 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

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). The Bank independently 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.

(iii) Other financial assets measured at amortized cost

Other financial assets measured at amortized cost mainly include capital trust and asset management plans. The Group implement an admission 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. Setting limit management for the ultimate financing parties of trust plans and asset management plans in which the Bank's proprietary funds are invested independently, and conducting regular subsequent risk management.

(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 credit risk exposure in the Group. The Bank regularly reviews and manages the credit risks of individual financial institution.

(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 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 managed the quality of credit assets in accordance with the Guidelines for Risk-based Loan Classification (Yin Jian Fa [2007] No.54) during the period from 1 January 2023 to 30 June 2023. The Group managed the quality of relevant financial assets (including credit assets) based on the Measures for the Risk-based Classification of Financial Assets by Commercial Banks (Decree [2023] No. 1 of the China Banking and Insurance Regulatory Commission ("CBIRC") and the People's Bank of China ("PBC")) since 1 July 2023. During the reporting period, the Group classified the relevant financial assets into 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; 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.

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, and has formed forecasts of macroeconomic indicators under multiple scenarios such as standard, optimistic and pessimistic. The Group also establishes statistical relationship between actual PD and macro indicators for each model exposure, and calculates the actual default probability by using forecasted economic indicators.

The number and attributes of scenarios are reassessed by the group at each reporting date. 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, and the baseline scenario weighting accounts for the highest proportion at the end of the period. The Group adopts the base and lifetime PD/LGD 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).

Macroeconomic information used by the Group includes macro indicators such as gross domestic product (GDP), consumer price index (CPI) and producer price index (PPI). The GDP year-on-year growth rate for 2024 under the standard scenario is 4.80%, and the GDP year-on-year growth rate for 2024 under the optimistic and pessimistic scenarios are formed by adjusting upward and downward by a certain level, respectively, from the standard scenario projections.

The Group considers these projections have represented the best estimate of the possible outcomes and analyses the non-linearities and asymmetries within the Group's different portfolios to determine that selected scenarios adequately represent scenarios that might occur. Similar to other economic projections, there are inherent uncertainties regarding estimates of projected values and likelihood of occurrence, thus substantial differences may occur between actual results and projections.

### Combination method for evaluation of expected credit risk

When analysing the relevance of ECL with macroeconomic indicators, the Group has classified the assets with similar credit risk characteristics into the same portfolio. The Group has obtained sufficient information to ensure the statistical reliability for the portfolio classification. Where sufficient information is not available internally, the Group establishes the model with reference to internal or external supplementary data. The characteristics and any supplementary data used to determine portfolio classification are outlined below:

#### Corporate loans and financial investments

- Industry
- Collateral type

## Retail loans

- Product type (i.e. mortgage loans, consumer loan and credit card)
- Repayment type
- Utilisation percentage range
- The range of mortgage rate (loan balance / collateral value)

## Assessment of ECLs on other receivables

Loss allowances for suspense accounts, margin deposits and other receivables are measured at an amount equal to lifetime ECLs. The Group uses the ECL model to calculate the ECLs on the above financial assets based on the historical credit loss experience, and the related methodology is the same as the "ECL measurement" in this section.

### (4) Maximum exposure to credit risk

#### *Financial assets and financial 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 2023 |         |         |           |
|--------------------------------------------------------|------------------|---------|---------|-----------|
|                                                        | Stage 1          | Stage 2 | Stage 3 | Total     |
| Cash and balances with central bank                    | 530,798          | -       | -       | 530,798   |
| Deposits with banks and other financial institutions   | 105,753          | -       | -       | 105,753   |
| Placements with banks and other financial institutions | 423,947          | -       | -       | 423,947   |
| Financial assets purchased under resale agreements     | 44,719           | -       | -       | 44,719    |
| Loans and advances to customers measured at:           |                  |         |         |           |
| - Amortized cost                                       | 4,314,830        | 178,093 | 33,241  | 4,526,164 |
| - FVOCI                                                | 367,765          | 2,965   | 18      | 370,748   |
| Financial investments                                  |                  |         |         |           |
| - Debt investments                                     | 1,189,091        | 25,646  | 56,345  | 1,271,082 |
| - Other debt investments                               | 614,041          | 1,497   | 2,479   | 618,017   |
| Other financial assets                                 | 58,330           | 137     | 3,313   | 61,780    |
| Total                                                  | 7,649,274        | 208,338 | 95,396  | 7,953,008 |

|                                                        | 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 2023<br>Maximum exposure to credit risk | 31 December 2022<br>Maximum exposure to credit risk |
|-----------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Commitment and guarantee    |                                                     |                                                     |
| Bank acceptance notes       | 678,155                                             | 727,909                                             |
| Credit cards commitments    | 654,332                                             | 658,618                                             |
| Others loan commitments     | 298,859                                             | 41,938                                              |
| Letters of credit issued    | 261,413                                             | 235,945                                             |
| Letters of guarantee issued | 108,544                                             | 109,469                                             |
| Total                       | 2,001,303                                           | 1,773,879                                           |

*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<br>2023<br>Maximum<br>exposure to credit<br>risk | 31 December<br>2022<br>Maximum<br>exposure to credit<br>risk |
|---------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Financial investments at fair value through<br>profit or loss |                                                              |                                                              |
| Trading assets                                                | 780,226                                                      | 708,984                                                      |
| Derivative financial assets                                   | 56,311                                                       | 42,829                                                       |
| Loans and advances to customers                               | 7,784                                                        | 60,223                                                       |
| Total                                                         | 844,321                                                      | 812,036                                                      |

(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 2023, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 101,538 million (31 December 2022: RMB 86,212 million), in which the loans covered by collaterals are amounting to RMB 51,023 million (31 December 2022: RMB 33,530 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 2023  |                     |                           |           |
|---------------------|-------------------|---------------------|---------------------------|-----------|
|                     | Trading<br>assets | Debt<br>investments | Other debt<br>investments | Total     |
| Medium or long term |                   |                     |                           |           |
| AAA                 | 17,800            | 557,419             | 192,382                   | 767,601   |
| AA+ to AA-          | 29                | 5,276               | 18,598                    | 23,903    |
| A+ to A-            | 259               | 1,658               | 17,586                    | 19,503    |
| Below A-            | 14                | 6,549               | 33,220                    | 39,783    |
| Short term          |                   |                     |                           |           |
| AAA                 | 1,501             | 12,482              | 2,986                     | 16,969    |
| AA+ to AA-          | 383               | 155                 | 2,746                     | 3,284     |
| A or below A        | 1,588             | 1,396               | 22,233                    | 25,217    |
| Unrated-Bonds       | 213,564           | 686,147             | 328,266                   | 1,227,977 |
|                     | 235,138           | 1,271,082           | 618,017                   | 2,124,237 |

| Investments denominated<br>in RMB | 31 December 2022  |                     |                           | Total            |
|-----------------------------------|-------------------|---------------------|---------------------------|------------------|
|                                   | Trading<br>assets | Debt<br>investments | Other debt<br>investments |                  |
| 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        |
|                                   | <u>236,553</u>    | <u>1,196,691</u>    | <u>641,918</u>            | <u>2,075,162</u> |

## 2 Market risk

Market risk is the risk of losses of on and off-balance sheet businesses arising from adverse movements in market prices, such as interest rates, exchange rates, price of stock and commodity. Both the Group's trading book and banking book is exposed to market risk, which mainly consists of interest rate risk, currency risk and commodity price risk. The Group considers the exposure to the commodity price risk to be insignificant.

The Board of Directors of the Bank is ultimately responsible for monitoring the market risk management and ensuring the Group can effectively identify, measure, monitor and control the market risk associated with the Group's business activities. Under the authorisation of the Board of Directors, the senior management of the Group is responsible for establishing the group-wide market risk management system, organisational structure with well-defined roles and responsibilities, authorisation structures and accountability mechanism. Relevant departments of headquarters are responsible for carrying out detailed market risk management activities including policies and procedures, measurement approaches and models, analyses and reporting and monitoring of various limits in order to timely and accurately identify, measure, monitor and control the market risk exposures in respective business areas and reporting to the senior management and Board of Directors on timely basis.

Meanwhile, the established internal controls and independent inspections are integrated in the group-wide market risk management system. Relevant business units are responsible for executing the daily control activities. A three-line defence system includes the business units as the first line defence, the market risk management and compliance department as the second line defence and the review department as the third line defence.

The Group measures market risk based on predetermined benchmarks. The major measurement approaches include stress testing, analysis on value at risk, back testing, gap analysis and sensitivity analysis etc. The market risk of new products and businesses should be identified before these new products and businesses are launched according to relevant policies.

(1) Currency risk

The Group mainly operates in the PRC and its main business activities are conducted in RMB. Majority of its foreign currency business are conducted in USD. The table below summarises the Group's exposure to currency risk. Included in the table are the Group's financial assets and liabilities at carrying amounts in RMB, categorised by original currency.

|                                                        | 31 December 2023 |                 |                 |                    |                   |
|--------------------------------------------------------|------------------|-----------------|-----------------|--------------------|-------------------|
|                                                        | RMB              | USD<br>Into RMB | HKD<br>Into RMB | Others<br>Into RMB | Total<br>Into RMB |
| Cash and deposits with central bank                    | 496,759          | 39,332          | 705             | 335                | 537,131           |
| Deposits with banks and other financial institutions   | 53,725           | 40,445          | 3,544           | 8,039              | 105,753           |
| Placements with banks and other financial institutions | 378,590          | 38,962          | 297             | 6,098              | 423,947           |
| Derivative financial assets                            | 53,257           | 3,020           | 9               | 25                 | 56,311            |
| Financial assets purchased under resale agreements     | 34,151           | 10,568          | -               | -                  | 44,719            |
| Loans and advances to customers                        | 4,743,406        | 115,548         | 29,967          | 15,775             | 4,904,696         |
| Financial investments:                                 |                  |                 |                 |                    |                   |
| - Trading assets                                       | 771,404          | 8,811           | -               | 11                 | 780,226           |
| - Debt investments                                     | 1,255,468        | 14,776          | 691             | 147                | 1,271,082         |
| - Other debt investments                               | 496,665          | 111,498         | 4,580           | 5,274              | 618,017           |
| - Other equity investments                             | 6,730            | -               | -               | -                  | 6,730             |
| Other financial assets                                 | 55,857           | 4,652           | 1,268           | 3                  | 61,780            |
| <b>Total financial assets</b>                          | <b>8,346,012</b> | <b>387,612</b>  | <b>41,061</b>   | <b>35,707</b>      | <b>8,810,392</b>  |
| Borrowing from central bank                            | 235,242          | -               | -               | -                  | 235,242           |
| Deposits from banks and other financial institutions   | 952,061          | 26,398          | 6,338           | 6,235              | 991,032           |
| Placements from banks and other financial institutions | 210,877          | 67,750          | 10,480          | 6,357              | 295,464           |
| Financial liabilities at profit or loss                | 10,207           | -               | -               | -                  | 10,207            |
| Derivative financial liabilities                       | 50,979           | 1,299           | 9               | 6                  | 52,293            |
| Financial assets sold under repurchase agreement       | 502,717          | 16,338          | -               | 729                | 519,784           |
| Deposits from customers                                | 4,811,052        | 228,368         | 16,448          | 4,476              | 5,060,344         |
| Debt securities issued                                 | 986,427          | 23,200          | 1,939           | 87                 | 1,011,653         |
| Lease liabilities                                      | 5,888            | 3               | 914             | 66                 | 6,871             |
| Other financial liabilities                            | 27,199           | 2,258           | 502             | 1,282              | 31,241            |
| <b>Total financial liabilities</b>                     | <b>7,792,649</b> | <b>365,614</b>  | <b>36,630</b>   | <b>19,238</b>      | <b>8,214,131</b>  |
| Net position of financial instruments                  | 553,363          | 21,998          | 4,431           | 16,469             | 596,261           |
| Currency derivatives                                   | 25,055           | (16,115)        | (761)           | (11,567)           | (3,388)           |
| Credit commitments                                     | 1,955,729        | 34,139          | 6,134           | 5,301              | 2,001,303         |

|                                                        | 31 December 2022 |                 |                 |                    |                   |
|--------------------------------------------------------|------------------|-----------------|-----------------|--------------------|-------------------|
|                                                        | RMB              | USD<br>Into RMB | HKD<br>Into RMB | Others<br>Into RMB | Total<br>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                                 | <u>8,003,150</u> | <u>436,716</u>  | <u>56,794</u>   | <u>45,618</u>      | <u>8,542,278</u>  |
| 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                | 10,238           | -               | -               | -                  | 10,238            |
| 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                            | <u>7,356,060</u> | <u>420,371</u>  | <u>46,010</u>   | <u>32,785</u>      | <u>7,855,226</u>  |
| Net position of financial instruments                  | <u>647,090</u>   | <u>16,345</u>   | <u>10,784</u>   | <u>12,833</u>      | <u>687,052</u>    |
| Currency derivatives                                   | <u>15,543</u>    | <u>(12,119)</u> | <u>(6,085)</u>  | <u>(6,027)</u>     | <u>(8,688)</u>    |
| Credit commitments                                     | <u>1,707,794</u> | <u>55,080</u>   | <u>4,890</u>    | <u>6,115</u>       | <u>1,773,879</u>  |

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 2023            |    | 31 December 2022            |    |
|------------------------------|-----------------------------|----|-----------------------------|----|
|                              | Exchange rate fluctuation % |    | Exchange rate fluctuation % |    |
|                              | -1%                         | 1% | -1%                         | 1% |
| USD against RMB              | (44)                        | 44 | (32)                        | 32 |
| Other currencies against RMB | (64)                        | 64 | (86)                        | 86 |



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 in the banking book. 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 in the banking book indicators within the risk appetite of the Board of Directors and kept sustainable operation.

The table below summarises the Group's exposures to interest rate risk. The table presents the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

|                                                        | 31 December 2023   |                  |                  |                  |                | Non-interest bearing | Total            |
|--------------------------------------------------------|--------------------|------------------|------------------|------------------|----------------|----------------------|------------------|
|                                                        | Within a month     | 1 to 3 months    | 3 to 12 months   | 1 to 5 years     | Over 5 years   |                      |                  |
| <b>Assets</b>                                          |                    |                  |                  |                  |                |                      |                  |
| Cash and deposits with central bank                    | 524,207            | -                | -                | -                | -              | 12,924               | 537,131          |
| Deposits with banks and other financial institutions   | 73,597             | 8,776            | 18,358           | 4,578            | -              | 444                  | 105,753          |
| Placements with banks and other financial institutions | 69,348             | 76,884           | 247,220          | 26,149           | -              | 4,346                | 423,947          |
| Derivative financial assets                            | -                  | -                | -                | -                | -              | 56,311               | 56,311           |
| Financial assets purchased under resale agreements     | 38,376             | 5,913            | 354              | -                | -              | 76                   | 44,719           |
| Loans and advances to customers                        | 1,049,042          | 839,142          | 2,109,744        | 784,271          | 107,131        | 15,366               | 4,904,696        |
| Financial investments:                                 |                    |                  |                  |                  |                |                      |                  |
| Trading assets                                         | 14,925             | 16,307           | 44,281           | 32,693           | 13,855         | 658,165              | 780,226          |
| Debt investments                                       | 109,745            | 37,224           | 104,277          | 449,164          | 552,955        | 17,717               | 1,271,082        |
| Other debt investments                                 | 11,889             | 24,925           | 108,668          | 332,444          | 132,652        | 7,439                | 618,017          |
| Other equity investments                               | -                  | -                | -                | -                | -              | 6,730                | 6,730            |
| Other financial assets                                 | 3,628              | -                | 21,448           | -                | -              | 36,704               | 61,780           |
| <b>Total financial assets</b>                          | <b>1,894,757</b>   | <b>1,009,171</b> | <b>2,654,350</b> | <b>1,629,299</b> | <b>806,593</b> | <b>816,222</b>       | <b>8,810,392</b> |
| <b>Liabilities</b>                                     |                    |                  |                  |                  |                |                      |                  |
| Borrowing from central bank                            | 11,931             | 43,220           | 177,947          | -                | -              | 2,144                | 235,242          |
| Deposits from banks and other financial institutions   | 854,775            | 46,128           | 85,767           | -                | -              | 4,362                | 991,032          |
| Placements from banks and other financial institutions | 128,732            | 73,584           | 80,063           | 7,039            | 5,246          | 800                  | 295,464          |
| Trading liabilities                                    | -                  | -                | -                | -                | -              | 10,207               | 10,207           |
| Derivative financial liabilities                       | -                  | -                | -                | -                | -              | 52,293               | 52,293           |
| Financial assets sold under repurchase agreements      | 427,039            | 29,481           | 63,009           | -                | -              | 255                  | 519,784          |
| Deposits from customers                                | 2,886,979          | 437,437          | 737,225          | 922,981          | 8              | 75,714               | 5,060,344        |
| Debt securities issued                                 | 42,718             | 221,995          | 483,405          | 176,795          | 81,079         | 5,661                | 1,011,653        |
| Lease liabilities                                      | 319                | 438              | 1,938            | 3,977            | 199            | -                    | 6,871            |
| Other financial liabilities                            | 408                | 1,526            | 1,916            | -                | -              | 27,391               | 31,241           |
| <b>Total financial liabilities</b>                     | <b>4,352,901</b>   | <b>853,809</b>   | <b>1,631,270</b> | <b>1,110,792</b> | <b>86,532</b>  | <b>178,827</b>       | <b>8,214,131</b> |
| <b>Total interest repricing gap</b>                    | <b>(2,458,144)</b> | <b>155,362</b>   | <b>1,023,080</b> | <b>518,507</b>   | <b>720,061</b> | <b>637,395</b>       | <b>596,261</b>   |

|                                                        | 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            |
| <b>Assets</b>                                          |                    |                  |                  |                  |                |                      |                  |
| Cash and deposits with central bank                    | 438,508            | -                | -                | -                | -              | 18,581               | 457,089          |
| Deposits with banks and other financial 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           |
| <b>Total financial assets</b>                          | <b>2,194,483</b>   | <b>747,710</b>   | <b>2,332,679</b> | <b>1,890,341</b> | <b>641,067</b> | <b>735,998</b>       | <b>8,542,278</b> |
| <b>Liabilities</b>                                     |                    |                  |                  |                  |                |                      |                  |
| 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                                    | -                  | -                | -                | -                | -              | 10,238               | 10,238           |
| 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           |
| <b>Total financial liabilities</b>                     | <b>3,972,595</b>   | <b>885,513</b>   | <b>1,597,497</b> | <b>1,121,882</b> | <b>121,675</b> | <b>156,064</b>       | <b>7,855,226</b> |
| <b>Total interest repricing gap</b>                    | <b>(1,778,112)</b> | <b>(137,803)</b> | <b>735,182</b>   | <b>768,459</b>   | <b>519,392</b> | <b>579,934</b>       | <b>687,052</b>   |

Note: Financial assets listed as within 1 month include overdue amount at 31 December 2023 and 31 December 2022 (less provision for impairment).

The Group performs sensitivity analysis to measure the potential impact of changes in interest rate on net profit and equity. The table below shows the results of the sensitivity analysis on the balance sheet date.

|                                                                | 31 December 2023          |          | 31 December 2022          |         |
|----------------------------------------------------------------|---------------------------|----------|---------------------------|---------|
|                                                                | Interest rate fluctuation |          | Interest rate fluctuation |         |
|                                                                | (Basis points)            |          | (Basis points)            |         |
|                                                                | -100                      | +100     | -100                      | +100    |
| Increase/(Decrease) in net profit                              | 2,454                     | (2,454)  | 3,487                     | (3,487) |
| Increase/(Decrease) in other comprehensive income under equity | 13,036                    | (12,292) | 8,213                     | (7,703) |

The above sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's assets and liabilities within the one-year period.

Based on the following assumptions:

- Except for current deposits, assets and liabilities, whose maturity dates are within three months or more than three months but will be repricing within one year, are assumed to be re-priced in the middle of each specified period;
- The interest rates of current deposits and statutory deposit reserves with central bank remain unchanged;
- The yield curve moves in parallel with interest rate;
- There are no changes in assets and liabilities at year end.

Based on the assumptions, the actual change in net profit may be different from the sensitivity analysis results.

Based on the assumption of the parallel movement of the yield curve along with interest rate change, the sensitivity analysis of the equity is derived by remeasuring the fair value of debt instruments at fair value through other comprehensive income as a result of changes in interest rate with a certain percentage.

### 3 Liquidity risk

The Group's liquidity risk management is intended to meet the obligations to serve customers for withdrawal and payment, to achieve the balance between the total amount and structure of assets and liabilities; to reduce the liquidity cost, avoid liquidity crisis of the Group, and to effectively respond to systematic liquidity risk by active management.

The Group has established a relatively complete liquidity risk governance system. 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 predict 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.

|                                                        |                        | 31 December 2023 |                 |                  |                  |                  |                |                |                  |
|--------------------------------------------------------|------------------------|------------------|-----------------|------------------|------------------|------------------|----------------|----------------|------------------|
|                                                        | Repayable<br>on demand | Within a month   | 1 to 3 months   | 3 to 12 months   | 1 to 5 years     | Over 5 years     | Overdue        | No maturity    | Total            |
| <b>Assets</b>                                          |                        |                  |                 |                  |                  |                  |                |                |                  |
| Cash and deposits with central bank                    | 212,708                | -                | 165             | -                | -                | -                | -              | 324,258        | 537,131          |
| Deposits with banks and other financial institutions   | 66,363                 | 7,295            | 8,939           | 18,985           | 5,008            | -                | -              | -              | 106,590          |
| Placements with banks and other financial institutions | -                      | 71,514           | 78,255          | 253,324          | 27,424           | -                | -              | -              | 430,517          |
| Financial assets purchased under resale agreements     | -                      | 38,466           | 5,990           | 360              | -                | -                | -              | -              | 44,816           |
| Loans and advances to customers                        | -                      | 526,570          | 651,953         | 1,450,912        | 1,439,459        | 1,439,010        | 101,327        | -              | 5,609,231        |
| Financial investments:                                 |                        |                  |                 |                  |                  |                  |                |                |                  |
| Trading assets                                         | 634,663                | 8,164            | 22,548          | 46,655           | 35,031           | 15,790           | 3,026          | 21,925         | 787,802          |
| Debt investments                                       | -                      | 54,230           | 43,127          | 129,695          | 554,973          | 665,505          | 83,533         | -              | 1,531,063        |
| Other debt investments                                 | -                      | 12,902           | 27,883          | 125,609          | 374,256          | 144,568          | 183            | -              | 685,401          |
| Other equity investments                               | -                      | -                | -               | -                | -                | -                | -              | 6,730          | 6,730            |
| Other financial assets                                 | 40,387                 | -                | -               | -                | -                | -                | 7,689          | 21,483         | 69,559           |
| <b>Total financial assets</b>                          | <b>954,121</b>         | <b>719,141</b>   | <b>838,860</b>  | <b>2,025,540</b> | <b>2,436,151</b> | <b>2,264,873</b> | <b>195,758</b> | <b>374,396</b> | <b>9,808,840</b> |
| <b>Liabilities</b>                                     |                        |                  |                 |                  |                  |                  |                |                |                  |
| Borrowing from central bank                            | -                      | 12,245           | 44,293          | 181,295          | -                | -                | -              | -              | 237,833          |
| Deposits from banks and other financial institutions   | 791,484                | 65,115           | 47,213          | 88,855           | -                | -                | -              | -              | 992,667          |
| Placements from banks and other financial institutions | -                      | 129,240          | 74,291          | 80,797           | 7,886            | 7,312            | -              | -              | 299,526          |
| Trading liabilities                                    | 1,780                  | -                | -               | 849              | 4,352            | 3,226            | -              | -              | 10,207           |
| Financial assets sold under repurchase agreements      | -                      | 427,181          | 29,600          | 63,415           | -                | -                | -              | -              | 520,196          |
| Deposits from customers                                | 2,210,213              | 709,106          | 452,075         | 772,045          | 1,047,980        | 10               | -              | -              | 5,191,429        |
| Debt securities issued                                 | -                      | 56,067           | 227,407         | 488,500          | 246,928          | 91,736           | -              | -              | 1,110,638        |
| Lease liabilities                                      | -                      | 319              | 441             | 1,967            | 4,285            | 252              | -              | -              | 7,264            |
| Other financial liabilities                            | 26,393                 | 94               | 1,768           | 2,354            | 1,285            | 831              | -              | -              | 32,725           |
| <b>Total financial liabilities</b>                     | <b>3,029,870</b>       | <b>1,399,367</b> | <b>877,088</b>  | <b>1,680,077</b> | <b>1,312,716</b> | <b>103,367</b>   | <b>-</b>       | <b>-</b>       | <b>8,402,485</b> |
| <b>Net liquidity</b>                                   | <b>(2,075,749)</b>     | <b>(680,226)</b> | <b>(38,228)</b> | <b>345,463</b>   | <b>1,123,435</b> | <b>2,161,506</b> | <b>195,758</b> | <b>374,396</b> | <b>1,406,355</b> |
| <b>Derivative financial instruments</b>                |                        |                  |                 |                  |                  |                  |                |                |                  |
| - Inflow                                               | -                      | 147,599          | 118,700         | 197,506          | 42,847           | 47               | -              | -              | 506,699          |
| - Outflow                                              | -                      | 147,392          | 117,101         | 197,523          | 42,119           | 75               | -              | -              | 504,210          |
| <b>Net value of derivative financial instruments</b>   | <b>-</b>               | <b>207</b>       | <b>1,599</b>    | <b>(17)</b>      | <b>728</b>       | <b>(28)</b>      | <b>-</b>       | <b>-</b>       | <b>2,489</b>     |
| <b>Credit commitments</b>                              | <b>672,462</b>         | <b>147,386</b>   | <b>293,865</b>  | <b>582,519</b>   | <b>89,347</b>    | <b>223,450</b>   | <b>-</b>       | <b>-</b>       | <b>2,009,029</b> |

|                                                        |                        | 31 December 2022 |                  |                  |                  |                  |                |                |                  |
|--------------------------------------------------------|------------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|------------------|
|                                                        | Repayable<br>on demand | Within a month   | 1 to 3 months    | 3 to 12 months   | 1 to 5 years     | Over 5 years     | Overdue        | No maturity    | Total            |
| <b>Assets</b>                                          |                        |                  |                  |                  |                  |                  |                |                |                  |
| Cash and deposits with central bank                    | 111,023                | -                | 171              | -                | -                | -                | -              | 345,895        | 457,089          |
| Deposits with banks and other financial institutions   | 126,368                | 2,959            | 9,370            | 30,352           | -                | -                | -              | -              | 169,049          |
| Placements with banks and other financial institutions | -                      | 20,654           | 65,116           | 179,017          | 96,200           | -                | -              | -              | 360,987          |
| Financial assets purchased under resale agreements     | -                      | 111,474          | -                | -                | -                | -                | -              | -              | 111,474          |
| Loans and advances to customers                        | -                      | 481,208          | 688,805          | 1,303,271        | 1,341,820        | 1,480,388        | 107,907        | -              | 5,403,399        |
| Financial investments:                                 |                        |                  |                  |                  |                  |                  |                |                |                  |
| Trading assets                                         | 568,330                | 9,359            | 30,262           | 48,406           | 38,710           | 14,595           | 1,237          | 19,140         | 730,039          |
| Debt investments                                       | -                      | 26,249           | 18,221           | 137,783          | 665,178          | 538,692          | 54,108         | -              | 1,440,231        |
| Other debt investments                                 | -                      | 4,432            | 33,198           | 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           |
| <b>Total financial assets</b>                          | <b>845,401</b>         | <b>656,335</b>   | <b>845,143</b>   | <b>1,904,326</b> | <b>2,511,358</b> | <b>2,126,573</b> | <b>171,862</b> | <b>387,308</b> | <b>9,448,306</b> |
| <b>Liabilities</b>                                     |                        |                  |                  |                  |                  |                  |                |                |                  |
| Borrowing from central bank                            | -                      | 2,038            | 21,707           | 144,173          | -                | -                | -              | -              | 167,918          |
| Deposits from banks and other financial institutions   | 564,341                | 24,916           | 81,098           | 101,542          | 23               | -                | -              | -              | 771,920          |
| Placements from banks and other financial institutions | -                      | 141,701          | 73,018           | 37,582           | 5,672            | 293              | -              | -              | 258,266          |
| Trading liabilities                                    | 6,646                  | -                | -                | -                | 3,099            | 493              | -              | -              | 10,238           |
| Financial assets sold under repurchase agreements      | -                      | 283,708          | 42,375           | 24,471           | -                | -                | -              | -              | 350,554          |
| Deposits from customers                                | 2,117,549              | 743,221          | 429,450          | 761,414          | 983,266          | 10               | -              | -              | 5,034,910        |
| Debt securities issued                                 | -                      | 63,442           | 322,760          | 586,704          | 341,481          | 137,072          | -              | -              | 1,451,459        |
| Lease liabilities                                      | -                      | 333              | 449              | 2,075            | 5,058            | 442              | -              | -              | 8,357            |
| Other financial liabilities                            | 28,471                 | 36               | 1,256            | 1,529            | 1,468            | 720              | -              | -              | 33,480           |
| <b>Total financial liabilities</b>                     | <b>2,717,007</b>       | <b>1,259,395</b> | <b>972,113</b>   | <b>1,659,490</b> | <b>1,340,067</b> | <b>139,030</b>   | <b>-</b>       | <b>-</b>       | <b>8,087,102</b> |
| <b>Net liquidity</b>                                   | <b>(1,871,606)</b>     | <b>(603,060)</b> | <b>(126,970)</b> | <b>244,836</b>   | <b>1,171,291</b> | <b>1,987,543</b> | <b>171,862</b> | <b>387,308</b> | <b>1,361,204</b> |
| <b>Derivative financial instruments</b>                |                        |                  |                  |                  |                  |                  |                |                |                  |
| - Inflow                                               | -                      | 80,568           | 67,008           | 127,188          | 42,081           | 97               | -              | -              | 316,942          |
| - Outflow                                              | -                      | 80,133           | 66,653           | 124,007          | 40,822           | 56               | -              | -              | 311,671          |
| <b>Net value of derivative financial instruments</b>   | <b>-</b>               | <b>435</b>       | <b>355</b>       | <b>3,181</b>     | <b>1,259</b>     | <b>41</b>        | <b>-</b>       | <b>-</b>       | <b>5,271</b>     |
| <b>Credit commitments</b>                              | <b>674,372</b>         | <b>124,382</b>   | <b>228,201</b>   | <b>705,794</b>   | <b>44,719</b>    | <b>2,640</b>     | <b>-</b>       | <b>-</b>       | <b>1,780,108</b> |

#### 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 2023 and 31 December 2022 are listed in the following table.

|                        |                   | 31 December 2023  |           |         |           |
|------------------------|-------------------|-------------------|-----------|---------|-----------|
|                        | <u>Book Value</u> | <u>Fair Value</u> |           |         |           |
|                        |                   | Level 1           | Level 2   | Level 3 | Total     |
| Financial assets:      |                   |                   |           |         |           |
| Debt investments       | 1,271,082         | -                 | 995,423   | 367,242 | 1,362,665 |
| Financial liabilities: |                   |                   |           |         |           |
| Debt securities issued | 1,011,653         | -                 | 1,008,697 | -       | 1,008,697 |

|                        |                   | 31 December 2022  |           |         |           |
|------------------------|-------------------|-------------------|-----------|---------|-----------|
|                        | <u>Book Value</u> | <u>Fair Value</u> |           |         |           |
|                        |                   | 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 |



(i) Debt investments

The fair value of debt investments is based on market quotes, and therefore belongs to the first level. If the relevant market information of debt investments cannot be obtained, then the discounted cash flow model is used for the valuation of fair value, which belongs to Level 3. Where applicable, the fair value of financial investments measured at amortized cost are determined with reference to the valuation results of China Central Depository & Clearing Co., Ltd., China Securities Index Co., Ltd. or Bloomberg, which belongs to Level 2.

(ii) Debt securities issued

The fair value of bonds issued is based on public quotes on the market. For bonds that cannot be quoted in the market, the fair value is determined by the discounted cash flow method and is based on the actual return rate matching the remaining maturity of the bond.

In addition to the above financial assets and financial liabilities, the fair value of other financial assets and financial liabilities that are not measured at fair value in the statement of financial position are determined 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) Assets and liabilities measured at fair value a recurring basis

|                                                                     | 31 December 2023 |                  |               |                  |
|---------------------------------------------------------------------|------------------|------------------|---------------|------------------|
|                                                                     | Level 1          | Level 2          | Level 3       | Total            |
| Financial investments:                                              |                  |                  |               |                  |
| Trading assets                                                      |                  |                  |               |                  |
| - Fund                                                              | 433,741          | 643              | 222           | 434,606          |
| - Bonds                                                             | 29               | 99,269           | 1,096         | 100,394          |
| - Beneficiary certificates of securities companies                  | -                | 39,723           | -             | 39,723           |
| - Equity                                                            | 2,904            | -                | 14,425        | 17,329           |
| - Capital trust and asset management plan                           | -                | 10,563           | 4,238         | 14,801           |
| - Interbank Certificates of Deposit                                 | -                | 3,303            | -             | 3,303            |
| - ABS                                                               | -                | 2,210            | 80            | 2,290            |
| - Other                                                             | 80,614           | 75,879           | 11,287        | 167,780          |
| Other debt investments                                              |                  |                  |               |                  |
| - Bonds                                                             | 55,775           | 515,043          | -             | 570,818          |
| - Interbank Certificates of Deposit                                 | -                | 33,438           | -             | 33,438           |
| - ABS                                                               | -                | 6,302            | -             | 6,302            |
| - Capital trust and asset management plan                           | -                | -                | 20            | 20               |
| Other equity investments                                            |                  |                  |               |                  |
| - Other investments                                                 | -                | -                | 5,164         | 5,164            |
| - Repossessed equity instruments                                    | 1                | -                | 1,565         | 1,566            |
| Loans and advances to customers:                                    |                  |                  |               |                  |
| FVOCI                                                               |                  |                  |               |                  |
| - Discounted bills                                                  | -                | 308,160          | -             | 308,160          |
| - Trade financing                                                   | -                | 62,588           | -             | 62,588           |
| FVTPL                                                               |                  |                  |               |                  |
| - Trade financing                                                   | -                | 5,662            | -             | 5,662            |
| - Discounted bills                                                  | -                | 2,122            | -             | 2,122            |
| Derivative financial assets                                         | -                | 56,311           | -             | 56,311           |
| <b>Total financial assets</b>                                       | <b>573,064</b>   | <b>1,221,216</b> | <b>38,097</b> | <b>1,832,377</b> |
| Derivative financial liabilities                                    | -                | 52,293           | -             | 52,293           |
| Trading liabilities                                                 |                  |                  |               |                  |
| - Financial liabilities related to precious metals                  | 7,750            | -                | -             | 7,750            |
| - Interest of other unitholders in consolidated structured entities | 1,661            | 119              | 558           | 2,338            |
| - Financial liabilities related to short selling of bonds           | 119              | -                | -             | 119              |
| <b>Total financial liabilities</b>                                  | <b>9,530</b>     | <b>52,412</b>    | <b>558</b>    | <b>62,500</b>    |

|                                                                     | 31 December 2022 |                  |               |                  |
|---------------------------------------------------------------------|------------------|------------------|---------------|------------------|
|                                                                     | Level 1          | Level 2          | Level 3       | Total            |
| Financial investments:                                              |                  |                  |               |                  |
| Trading assets                                                      |                  |                  |               |                  |
| - Fund                                                              | 356,881          | 428              | 876           | 358,185          |
| - Bonds                                                             | 1,609            | 104,312          | 853           | 106,774          |
| - Beneficiary certificates of securities companies                  | -                | 20,348           | -             | 20,348           |
| - Equity                                                            | 3,844            | -                | 15,296        | 19,140           |
| - Capital trust and asset management plan                           | -                | 8,315            | 5,797         | 14,112           |
| - Interbank Certificates of Deposit                                 | -                | 5,296            | -             | 5,296            |
| - ABS                                                               | -                | 4,683            | -             | 4,683            |
| - Other                                                             | 86,696           | 86,057           | 7,693         | 180,446          |
| 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            |
| - Other investments                                                 | -                | -                | 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           |
| <b>Total financial assets</b>                                       | <b>500,104</b>   | <b>1,385,228</b> | <b>38,183</b> | <b>1,923,515</b> |
| Derivative financial liabilities                                    | -                | 37,526           | -             | 37,526           |
| Trading liabilities                                                 |                  |                  |               |                  |
| - Financial liabilities related to precious metals                  | 134              | -                | -             | 134              |
| - 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            |
| <b>Total financial liabilities</b>                                  | <b>9,663</b>     | <b>37,627</b>    | <b>474</b>    | <b>47,764</b>    |

The Group takes the date of the event that caused the transfer between levels as the date of the transfer. There is no transfer between the first and second levels this year.

(i) Level 2 Financial Instruments

The fair value of financial instruments that are not traded in an active market (such as OTC derivatives) is determined using valuation techniques. Valuation techniques use observable market data (if any) as much as possible, and rely as little as possible on the entity's specific estimates. If all significant inputs required to calculate the fair value of a financial instrument are observable data, the financial instrument is included in level 2. If one or more significant inputs are not based on observable market data, the financial instrument is included in level 3.

The financial instruments classified by the Group as level 2 mainly include bonds, foreign exchange forwards and swaps, interest rate swaps and foreign exchange options. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Foreign exchange forwards and swaps, interest rate swaps, foreign exchange options are valued using cash flow discounts and the Blair-Scholes model. All significant valuation parameters are obtained from observable market information.

(ii) Level 3 Financial Instruments

The changes in the Group's Level 3 assets and liabilities as follows:

|                                                                                                                                           | Trading<br>assets | Other debt<br>investments | Other equity<br>investments | Trading<br>liabilities | Total          |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------|-----------------------------|------------------------|----------------|
| 1 January 2023                                                                                                                            | 30,515            | -                         | 7,668                       | (474)                  | 37,709         |
| Additions                                                                                                                                 | 14,003            | 20                        | -                           | (508)                  | 13,515         |
| Disposals and settlements                                                                                                                 | (12,661)          | -                         | -                           | 493                    | (12,168)       |
| Total (losses)/gains recorded<br>in profit or loss                                                                                        | (509)             | -                         | -                           | (69)                   | (578)          |
| Total (losses)/gains recorded<br>in other comprehensive<br>income                                                                         | -                 | -                         | (939)                       | -                      | (939)          |
| 31 December 2023                                                                                                                          | <u>31,348</u>     | <u>20</u>                 | <u>6,729</u>                | <u>(558)</u>           | <u>37,539</u>  |
| Unrealised losses recognised<br>in profit or loss for the year<br>ended 31 December 2023<br>for the positions held at 31<br>December 2023 | <u>(1,367)</u>    | <u>-</u>                  | <u>-</u>                    | <u>(34)</u>            | <u>(1,401)</u> |

|                                                                                                                                                       | Trading<br>assets | Other debt<br>investments | Other equity<br>investments | Trading<br>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<br>in profit or loss                                                                                                    | 242               | -                         | -                           | 153                    | 395           |
| Total gains/(losses) recorded<br>in other comprehensive<br>income                                                                                     | -                 | -                         | (16)                        | -                      | (16)          |
| 31 December 2022                                                                                                                                      | <u>30,515</u>     | <u>-</u>                  | <u>7,668</u>                | <u>(474)</u>           | <u>37,709</u> |
| Unrealised gains or losses<br>recognised in profit or loss<br>for the year ended 31<br>December 2022 for the<br>positions held at 31<br>December 2022 | <u>(303)</u>      | <u>-</u>                  | <u>-</u>                    | <u>37</u>              | <u>(266)</u>  |

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

| 31 December 2023                                                     |               |                              |                                                       |
|----------------------------------------------------------------------|---------------|------------------------------|-------------------------------------------------------|
|                                                                      | Fair value    | Valuation method             | Unobservable inputs                                   |
| Financial investment:                                                |               |                              |                                                       |
| Trading assets                                                       |               |                              |                                                       |
| - Fund                                                               | 222           | Refer to recent transactions | Liquidity discount                                    |
| - Bonds                                                              | 1,096         | Income approach              | Discount rate                                         |
| - Capital trust and asset management plan                            | 4,238         | Income approach              | Discount rate                                         |
| - Equity                                                             | 11,895        | Income approach              | Discount rate                                         |
|                                                                      | 2,530         | Refer to recent transactions | Liquidity discount                                    |
| - ABS                                                                | 80            | Income approach              | Discount rate                                         |
| - Other                                                              | 11,287        | Refer to recent transactions | Liquidity discount                                    |
|                                                                      | <u>31,348</u> |                              |                                                       |
| Other debt investments                                               |               |                              |                                                       |
| - Capital trust and asset management plan                            | 20            | Income approach              | Discount rate                                         |
|                                                                      | <u>20</u>     |                              |                                                       |
| Other equity investments                                             |               |                              |                                                       |
| - Repossessed equity instruments                                     | 1,104         | Market approach              | Liquidity discount<br>P/B ratio                       |
|                                                                      | 457           | Net Asset Based Method       | Liquidity discount                                    |
|                                                                      | 4             | Discounted cash flow method  | Discount rate                                         |
| - Other equity investments                                           | 4,093         | Net Asset Based Method       | Liquidity discount<br>Liquidity discount<br>P/B ratio |
|                                                                      | 956           | Market approach              | P/B ratio                                             |
|                                                                      | 115           | Income approach              | Discount rate                                         |
|                                                                      | <u>6,729</u>  |                              |                                                       |
| Trading liabilities                                                  |               |                              |                                                       |
| - Interest of other unit holders in consolidated structured entities | 558           | Note1                        | Note1                                                 |

| 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                   |
| - Capital 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              |
| - Other                                                              | 7,693         | Refer to recent transactions | Liquidity discount              |
|                                                                      | <u>30,515</u> |                              |                                 |
| Other equity investments                                             |               |                              |                                 |
| - Repossessed equity instruments                                     | 1,704         | Market approach              | Liquidity discount<br>P/B ratio |
|                                                                      | 794           | Net Asset Based Method       | Liquidity discount              |
| - Other equity investments                                           | 956           | Market approach              | Liquidity discount<br>P/B ratio |
|                                                                      | 4,093         | Net Asset Based Method       | Liquidity discount              |
|                                                                      | 121           | Income approach              | Discount rate                   |
|                                                                      | <u>7,668</u>  |                              |                                 |
| Trading liabilities                                                  |               |                              |                                 |
| - Interest of other unit holders in consolidated structured entities | <u>474</u>    | 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 2023, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

## 6 Capital management

The objectives of the Group's capital management are to:

- (1) Satisfy regulatory requirements for capital adequacy ratio on an ongoing basis, ensure operational compliance to ultimately optimise capital stock and structure.
- (2) Ensure adequate capital for resisting corresponding risks, realise the operational safety, and keep capital at an adequate and reasonable level.
- (3) Establish a capital allocation and management system that focuses on economic capital, optimise the resource allocation and management control mechanism at the group level, achieve capital intensive management to ultimately maximise shareholders' value.

The Group manages its capital structure and adjust it based on the changes in economic condition and the risk characteristics. Generally, the mechanism of adjusting the capital structure comprises dividend distribution policies and issuance of additional capital instruments such as tier 1 capital instruments and tier 2 capital instruments, etc.

As at 31 December 2023, commercial banks in China 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 related regulatory departments 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 2023, the bank was identified as systemically important banks in Group II. Therefore, after considering the additional capital requirements of systemically important banks, the group should meet the minimum requirement of 8% of core tier 1 capital adequacy, 9% of tier 1 capital adequacy and 11% of capital adequacy.

|                                    | The Group           |                     |
|------------------------------------|---------------------|---------------------|
|                                    | 31 December<br>2023 | 31 December<br>2022 |
| Core tier 1 capital - net          | 597,925             | 568,299             |
| Tier 1 capital - net               | 708,482             | 678,802             |
| Capital - net                      | 844,452             | 843,761             |
| Total risk weighted assets         | 6,667,213           | 6,182,036           |
| Core tier 1 capital adequacy ratio | 8.97%               | 9.19%               |
| Tier 1 capital adequacy ratio      | 10.63%              | 10.98%              |
| Capital adequacy ratio             | 12.67%              | 13.65%              |



- (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.
- (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, the net amount of goodwill after deducting related deferred tax liabilities and other net deferred tax assets dependent on future bank profits (threshold deduction items).
- (4) The Group's other Tier 1 Capital includes preference shares, Perpetual bond and 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, 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 AS COLLATERAL

Certain financial assets of the Group are pledged as collateral for financial liabilities, and the analysis of these assets are as follows:

|                       | 31 December<br>2023 | 31 December<br>2022 |
|-----------------------|---------------------|---------------------|
| Financial investments | 958,711             | 579,699             |
| Discounted bills      | 87,619              | 105,024             |
| Bank loans            | 2,143               | 648                 |
|                       | <hr/>               | <hr/>               |
| Total                 | <u>1,048,473</u>    | <u>685,371</u>      |

Apart from the pledges mentioned above, the Group had insignificant amounts of assets with restricted ownership or usage for mortgages, seizures, freezes and detainments at the end of 2023 (at the end of 2022: the amounts were insignificant).

### XIV EVENTS AFTER THE REPORTING DATE

#### 1 Profit distribution plan

The Bank convened the board of directors on 26 April 2024, approved the profit distribution plan for 2023 and submitted it to the annual general meeting for consideration and approval.

### XV COMPARATIVE FIGURES

In order to be consistent with the presentation of financial statements for the current year, a number of comparative figures have been reclassified.

Shanghai Pudong Development Bank Co., Ltd.

Supplementary Information to the Financial Statements For the year ended 31 December  
2023

(Expressed in millions of RMB unless otherwise stated)

## I Earnings per share

In accordance with "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) (The Rules for the Information Disclosure and Reporting No.9) issued by the CSRC and relevant accounting standards, the Group's earnings per share are calculated as follows:

|                                                                                | 2023   | 2022   |
|--------------------------------------------------------------------------------|--------|--------|
| Earnings per share before deducting extraordinary gains and losses             |        |        |
| - Net profit attributable to shareholders of the Bank                          | 31,349 | 45,818 |
| - Basic earnings per share attributable to shareholders of the Bank (in RMB)   | 1.07   | 1.56   |
| - Diluted earnings per share attributable to shareholders of the Bank (in RMB) | 0.99   | 1.44   |
| Earnings per share after deducting extraordinary gains and losses              |        |        |
| - Net profit attributable to shareholders of the Bank                          | 28,529 | 45,457 |
| - Basic earnings per share attributable to shareholders of the Bank (in RMB)   | 0.97   | 1.55   |
| - Diluted earnings per share attributable to shareholders of the Bank (in RMB) | 0.91   | 1.43   |

## 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:

|                                                       | 2023   | 2022   |
|-------------------------------------------------------|--------|--------|
| Before deducting extraordinary gains and losses       |        |        |
| - Net profit attributable to shareholders of the Bank | 31,349 | 45,818 |
| - Weighted average of return on net assets            | 5.21%  | 7.98%  |
| After deducting extraordinary gains and losses        |        |        |
| - Net profit attributable to shareholders of the Bank | 28,529 | 45,457 |
| - Weighted average of return on net assets            | 4.75%  | 7.92%  |

### III Extraordinary 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 (Revised in 2023):

|                                                                                                            | 2023         | 2022       |
|------------------------------------------------------------------------------------------------------------|--------------|------------|
| Government grants                                                                                          | 737          | 651        |
| Profits arising from the disposal of non current assets                                                    | 4,309        | 84         |
| Other non - operating expense                                                                              | (44)         | (124)      |
| Tax effect                                                                                                 | (1,988)      | (174)      |
| Total                                                                                                      | <u>3,014</u> | <u>437</u> |
| Including:                                                                                                 |              |            |
| Net amount of extraordinary gains and losses affecting the net profit of the Bank's shareholders           | 2,820        | 361        |
| Net amount of extraordinary gains and losses affecting the net profit of the Group's minority shareholders | <u>194</u>   | <u>76</u>  |

The offsetting portion of the provision for impairment of assets incurred by the Group due to normal operations and the income from custody fees obtained from entrusted operations are not disclosed as non-recurring gains or losses.

### IV Explanations on differences between the PRC accounting standards and the International Financial Reporting Standards (IFRS)

There is no difference between the Group's net profit for 2023 as presented in the financial statements prepared in accordance with the PRC accounting standards and the financial statements prepared in accordance with IFRS (2022: no difference), and there is no difference in shareholders' equity as at 31 December 2023 (31 December 2022: no difference).

### V 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](http://www.spdb.com.cn).

### VI 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](http://www.spdb.com.cn).

Shanghai Pudong Development Bank Co., Ltd.

Financial Statements  
for the year ended 31 December 2023

English Translation of the Financial Statements

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

Independent Auditor's Report

**To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.**

*(incorporated in the People's Republic of China with limited liability)*

KPMG Huazhen Tongzi NO. 2400112

**Opinion**

We have audited the financial statements of Shanghai Pudong Development Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 1 to 148, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2023, 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 and notes including other explanatory materials.

In our opinion, the financial statements give a true and fair view of the consolidated and the Bank's financial positions at 31 December 2023 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.**

*(incorporated in the People's Republic of China with limited liability)*

KPMG Huazhen Tongzi NO.

**Key audit matters (continued)**

| <b>Measurement of expected credit losses ("ECL") for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments</b>                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| 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.                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                          | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments involves significant management judgments.</p> <p>The Group established internal controls for the ECL measurement.</p> | <p>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:</p> <ul style="list-style-type: none"> <li>• 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: <ul style="list-style-type: none"> <li>- 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;</li> <li>- 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;</li> </ul> </li> </ul> |



**Key audit matters (continued)**

| <b>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>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.</p> | <ul style="list-style-type: none"> <li>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 judgments involved;</li> <li>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;</li> <li>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 modifications of key estimates and parameters input, and assessed the consistency of judgement used by management;</li> </ul> |

Independent Auditor's Report

**To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.**

*(incorporated in the People's Republic of China with limited liability)*

KPMG Huazhen Tongzi NO. 2400112

**Key audit matters (continued)**

| <b>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following:</p> <p>(1) Division of business operations sharing similar credit risk characteristics into the same group, selection of appropriate models and determination of relevant key parameters;</p> <p>(2) Criteria for determining a significant increase in credit risk, default and credit impairments;</p> <p>(3) Application of economic indicators, economic scenarios and their respective weightings for forward-looking information.</p> | <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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 and financial investments at amortized cost by industry sector to select samples in industries sensitive to the current business cycle and regulatory policies. We also focused on loans and financial investments at amortized cost with perceived higher risk and selected samples from loans credit impairment has occurred, overdue but credit impairment has not occurred, a significant increase in credit risk 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 the operation conditions of borrowers, checked the financial information of the borrower and searched for market information about the borrower's business and operation;</li> </ul> |

Independent Auditor's Report

**To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.**

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KPMG Huazhen Tongzi NO. 2400112

**Key audit matters (continued)**

| <b>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</b>                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                               | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 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. | <ul style="list-style-type: none"><li>• Performing credit reviews for the selected credit impaired loans and advances to customers and financial investment at amortized cost by evaluating loss ratio calculation model based on grouping , or 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;</li><li>• Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group;</li><li>• 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.</li></ul> |

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**To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.**

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KPMG Huazhen Tongzi NO. 2400112

**Key audit matters (continued)**

| <b>Consolidation of structured entities</b>                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Refer to Notes II.4(1) and III.37 to the financial statements.                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                                                     | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.</p> <p>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.</p> | <p>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• Selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected:<ul style="list-style-type: none"><li>- 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;</li><li>- 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;</li></ul></li></ul> |

**Key audit matters (continued)**

| <b>Consolidation of structured entities (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| Refer to Notes II.4(1) and III.37 to the financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>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.</p> <p>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.</p> | <ul style="list-style-type: none"> <li>• Selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected (continued): <ul style="list-style-type: none"> <li>- 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;</li> <li>- Assessing management's judgement over whether the structured entity should be consolidated or not;</li> </ul> </li> <li>• Evaluating the disclosures relating to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.</li> </ul> |

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**Key audit matters (continued)**

| <b>Assessment of the fair value of financial instruments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| Refer to Notes II.4(8), II.4(22), II.4(31) described in the accounting policies, and VIII.4 to the financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>The Key Audit Matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>How the matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>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.</p> <p>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.</p> <p>The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.</p> <p>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.</p> | <p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> <li>• Understanding 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;</li> <li>• Assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data;</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ul> |

Independent Auditor's Report  
**To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.**  
*(incorporated in the People's Republic of China with limited liability)*

KPMG Huazhen Tongzi NO. 2400112

## **Other Information**

Management is responsible for the other information. The other information comprises all the information included in the 2023 annual report, other than the financial statements and our auditor's report thereon.

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

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by IASB, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



Independent Auditor's Report

**To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.**

*(incorporated in the People's Republic of China with limited liability)*

KPMG Huazhen Tongzi NO. 2400112

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shi Hai Yun.

KPMG Huazhen LLP

Beijing, the People's Republic of China

26 April 2024

Shanghai Pudong Development Bank Co., Ltd.  
Consolidated and the Bank's Statement of Profit or Loss  
For the year ended 31 December 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                  |       | The Group     |               | The Bank      |               |
|------------------------------------------------------------------|-------|---------------|---------------|---------------|---------------|
|                                                                  | Note  | 2023          | 2022          | 2023          | 2022          |
| Interest income                                                  |       | 297,598       | 299,520       | 290,164       | 293,781       |
| Interest expense                                                 |       | (179,163)     | (165,851)     | (174,351)     | (162,810)     |
| Net interest income                                              | III.1 | 118,435       | 133,669       | 115,813       | 130,971       |
| Fee and commission income                                        |       | 32,035        | 37,766        | 29,077        | 33,308        |
| Fee and commission expense                                       |       | (7,582)       | (9,075)       | (7,980)       | (10,860)      |
| Net fee and commission income                                    | III.2 | 24,453        | 28,691        | 21,097        | 22,448        |
| Net trading profit or loss                                       | III.3 | 19,587        | 17,172        | 19,287        | 17,735        |
| Net gains or losses arising from financial investments           | III.4 | 7,122         | 5,313         | 3,234         | 5,386         |
| Other net operating income                                       |       | 3,740         | 3,661         | 561           | 529           |
| Operating expenses                                               | III.5 | (56,005)      | (56,588)      | (51,133)      | (51,368)      |
| Impairment losses                                                | III.6 | (76,863)      | (75,999)      | (75,588)      | (74,674)      |
| Net gains or losses arising from associates and joint ventures   |       | 223           | 230           | 186           | 198           |
| Profit before income tax                                         |       | 40,692        | 56,149        | 33,457        | 51,225        |
| Income tax expense                                               | III.7 | (3,263)       | (4,152)       | (524)         | (2,746)       |
| Net profit                                                       |       | <u>37,429</u> | <u>51,997</u> | <u>32,933</u> | <u>48,479</u> |
| Net profit attributable to:                                      |       |               |               |               |               |
| Shareholders of the Bank                                         |       | 36,702        | 51,171        | 32,933        | 48,479        |
| Non-controlling interests                                        |       | 727           | 826           | -             | -             |
| Earnings per share attributable to the shareholders of the Bank: |       |               |               |               |               |
| Basic earnings per share (expressed in RMB)                      | III.8 | <u>1.07</u>   | <u>1.56</u>   |               |               |
| Diluted earnings per share (expressed in RMB)                    | III.8 | <u>0.99</u>   | <u>1.44</u>   |               |               |

The notes on pages 13 to 148 form an integral 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                                                                           | Note   | The Group |         | The Bank |         |
|---------------------------------------------------------------------------------------------------------------------------|--------|-----------|---------|----------|---------|
|                                                                                                                           |        | 2023      | 2022    | 2023     | 2022    |
| Net profit                                                                                                                |        | 37,429    | 51,997  | 32,933   | 48,479  |
| Other comprehensive income                                                                                                | III.34 |           |         |          |         |
| <i>Items that may be reclassified to profit or loss</i>                                                                   |        |           |         |          |         |
| Other comprehensive income recognised under equity method                                                                 |        | (1)       | -       | (1)      | -       |
| Changes in fair value of debt investments at fair value through other comprehensive income recognised under equity method |        | 3,460     | (8,145) | 3,339    | (7,715) |
| Credit impairment allowance of debt investments at fair value through other comprehensive income                          |        | 1,995     | 1,959   | 2,019    | 1,915   |
| Cash flow hedge reserve                                                                                                   |        | 88        | (2)     | 27       | (24)    |
| Exchange differences from the translations of foreign financial statements                                                |        | 179       | 376     | 24       | (20)    |
| <i>Item that will not be reclassified to profit or loss</i>                                                               |        |           |         |          |         |
| Changes in fair value of equity investments at fair value through other comprehensive income                              |        | (747)     | (57)    | (747)    | (57)    |
| Other comprehensive income, net of tax                                                                                    |        | 4,974     | (5,869) | 4,661    | (5,901) |
| Total comprehensive income                                                                                                |        | 42,403    | 46,128  | 37,594   | 42,578  |
| Total comprehensive income attributable to:                                                                               |        |           |         |          |         |
| Shareholder of the Bank                                                                                                   |        | 41,623    | 45,252  | 37,594   | 42,578  |
| Non-controlling interests                                                                                                 |        | 780       | 876     | -        | -       |

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.  
Consolidated and the Bank's statement of Financial position  
as at 31 December 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                         |        | The Group           |                     | The Bank            |                     |
|-------------------------------------------------------------------------|--------|---------------------|---------------------|---------------------|---------------------|
|                                                                         | Note   | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| <b>Assets</b>                                                           |        |                     |                     |                     |                     |
| Cash and deposits with central bank                                     | III.9  | 537,131             | 457,089             | 532,553             | 452,719             |
| Deposits and placements with banks and other financial institutions     | III.10 | 557,362             | 531,643             | 549,935             | 527,812             |
| Precious metals                                                         |        | 17,526              | 3,948               | 17,526              | 3,948               |
| Derivative financial assets                                             | III.11 | 56,311              | 42,829              | 56,265              | 42,770              |
| Financial assets purchased under resale agreements                      | III.12 | 44,719              | 111,411             | 44,719              | 111,411             |
| Loans and advances to customers                                         | III.13 | 4,904,696           | 4,798,350           | 4,796,566           | 4,695,040           |
| Financial investments:                                                  | III.14 |                     |                     |                     |                     |
| -Financial investments at fair value through profit or loss             |        | 780,226             | 708,984             | 740,523             | 636,751             |
| -Financial investments at amortized cost                                |        | 1,271,082           | 1,196,691           | 1,208,379           | 1,193,150           |
| -Financial investments at fair value through other comprehensive income |        | 624,747             | 649,788             | 613,336             | 641,678             |
| Investments in associates and joint ventures                            | III.15 | 2,825               | 2,655               | 2,458               | 2,319               |
| Investments in controlled subsidiaries                                  |        | -                   | -                   | 29,310              | 29,307              |
| Fixed assets                                                            | III.16 | 45,308              | 37,157              | 18,286              | 14,721              |
| Construction in progress                                                |        | 1,982               | 5,250               | 1,159               | 4,471               |
| Right-of-use assets                                                     | III.17 | 7,150               | 8,022               | 6,716               | 7,495               |
| Intangible assets                                                       | III.18 | 9,767               | 10,349              | 7,464               | 8,036               |
| Goodwill                                                                | III.19 | 5,351               | 6,981               | -                   | -                   |
| Deferred income tax assets                                              | III.20 | 71,598              | 68,690              | 69,250              | 66,867              |
| Other assets                                                            | III.21 | 69,466              | 64,814              | 63,671              | 57,255              |
| Total assets                                                            |        | 9,007,247           | 8,704,651           | 8,758,116           | 8,495,750           |

The notes on pages 13 to 148 form an integral 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                     |        | The Group           |                     | The Bank            |                     |
|---------------------------------------------------------------------|--------|---------------------|---------------------|---------------------|---------------------|
|                                                                     | Note   | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| <b>Liabilities</b>                                                  |        |                     |                     |                     |                     |
| Borrowing from central bank                                         |        | 235,242             | 165,133             | 234,591             | 164,427             |
| Deposits and placements from banks and other financial institutions | III.22 | 1,293,709           | 1,111,343           | 1,201,678           | 1,036,505           |
| Financial liabilities at fair value through profit or loss          | III.23 | 10,207              | 10,238              | 7,869               | 3,233               |
| Derivative financial liabilities                                    | III.11 | 52,293              | 37,526              | 52,260              | 37,525              |
| Financial assets sold under repurchase agreements                   | III.24 | 519,784             | 350,168             | 449,030             | 304,949             |
| Deposits from customers                                             | III.25 | 5,060,344           | 4,893,812           | 5,027,145           | 4,861,357           |
| Income tax payable                                                  |        | 21,798              | 27,290              | 21,371              | 26,701              |
| Debt securities issued                                              | III.26 | 1,011,653           | 1,330,304           | 1,004,010           | 1,319,856           |
| Deferred income tax liabilities                                     | III.20 | 1,014               | 641                 | -                   | -                   |
| Lease liabilities                                                   | III.17 | 6,871               | 7,832               | 6,423               | 7,293               |
| Provisions                                                          | III.27 | 7,753               | 6,230               | 7,753               | 6,228               |
| Other liabilities                                                   | III.28 | 53,695              | 57,359              | 43,596              | 48,134              |
| Total liabilities                                                   |        | 8,274,363           | 7,997,876           | 8,055,726           | 7,816,208           |

The notes on pages 13 to 148 form an integral 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                           |        | The Group           |                     | The Bank            |                     |
|-----------------------------------------------------------|--------|---------------------|---------------------|---------------------|---------------------|
|                                                           | Note   | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| <b>Equity</b>                                             |        |                     |                     |                     |                     |
| 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 | 188,929             | 174,385             | 188,929             | 174,385             |
| General risk reserve                                      | III.33 | 101,575             | 99,515              | 98,000              | 93,500              |
| Other reserves                                            | III.34 | 2,107               | (3,053)             | 1,893               | (3,007)             |
| Retained earnings                                         | III.35 | 208,333             | 203,220             | 189,813             | 190,909             |
|                                                           |        |                     |                     |                     |                     |
| Equity attributable to the<br>shareholders of the<br>Bank |        | 724,749             | 697,872             | 702,390             | 679,542             |
| Non-controlling interests                                 |        | 8,135               | 8,903               | -                   | -                   |
|                                                           |        |                     |                     |                     |                     |
| Total equity                                              |        | 732,884             | 706,775             | 702,390             | 679,542             |
|                                                           |        |                     |                     |                     |                     |
| Total liabilities and equity                              |        | 9,007,247           | 8,704,651           | 8,758,116           | 8,495,750           |

These financial statements were approved for issue by the Board of Directors of the Bank on 26 April 2024.

Chairman of the board  
of the directors:  
Weizhong Zhang

Vice President  
in charge of  
financial work:  
Yiyan Liu

Head of the finance  
and accounting  
department:  
Lianquan Li

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.  
Consolidated and the Bank's statement of Changes in Equity  
For the year ended 31 December 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                | Equity attributable to the shareholders of the Bank |                             |                     |                     |                         |                   |                      |          |                                  |         |
|----------------------------------------------------------------|-----------------------------------------------------|-----------------------------|---------------------|---------------------|-------------------------|-------------------|----------------------|----------|----------------------------------|---------|
|                                                                | Ordinary<br>Shares                                  | Other equity<br>instruments | Capital<br>reserves | Surplus<br>reserves | General risk<br>reserve | Other<br>reserves | Retained<br>earnings | Subtotal | Non-<br>controlling<br>interests | Total   |
| Balance at 1 January 2023                                      | 29,352                                              | 112,691                     | 81,762              | 174,385             | 99,515                  | (3,053)           | 203,220              | 697,872  | 8,903                            | 706,775 |
| Net profit                                                     | -                                                   | -                           | -                   | -                   | -                       | -                 | 36,702               | 36,702   | 727                              | 37,429  |
| Other comprehensive income                                     | -                                                   | -                           | -                   | -                   | -                       | 4,921             | -                    | 4,921    | 53                               | 4,974   |
| Total comprehensive income                                     | -                                                   | -                           | -                   | -                   | -                       | 4,921             | 36,702               | 41,623   | 780                              | 42,403  |
| Appropriation to surplus reserves<br>and general risk reserves | -                                                   | -                           | -                   | 14,544              | 3,786                   | -                 | (18,330)             | -        | -                                | -       |
| Cash dividends paid to ordinary<br>shareholders                | -                                                   | -                           | -                   | -                   | -                       | -                 | (9,393)              | (9,393)  | -                                | (9,393) |
| Cash dividends paid to<br>preference shareholders              | -                                                   | -                           | -                   | -                   | -                       | -                 | (1,559)              | (1,559)  | -                                | (1,559) |
| Interests payment of<br>perpetual bond                         | -                                                   | -                           | -                   | -                   | -                       | -                 | (3,794)              | (3,794)  | -                                | (3,794) |
| Other reserves carried forward to<br>retained earnings         | -                                                   | -                           | -                   | -                   | -                       | 239               | (239)                | -        | -                                | -       |
| Dividends of subsidiaries                                      | -                                                   | -                           | -                   | -                   | -                       | -                 | -                    | -        | (231)                            | (231)   |
| Disposal of equity in subsidiaries                             | -                                                   | -                           | -                   | -                   | (1,726)                 | -                 | 1,726                | -        | (1,317)                          | (1,317) |
| Balance at 31 December 2023                                    | 29,352                                              | 112,691                     | 81,762              | 188,929             | 101,575                 | 2,107             | 208,333              | 724,749  | 8,135                            | 732,884 |

The notes on pages 13 to 148 form an integral 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 2022  
(Expressed in millions of RMB unless otherwise stated)

|                                                             | Equity attributable to the shareholders of the Bank |                          |                  |                  |                      |                |                   |          | Non-controlling interests | Total    |
|-------------------------------------------------------------|-----------------------------------------------------|--------------------------|------------------|------------------|----------------------|----------------|-------------------|----------|---------------------------|----------|
|                                                             | Ordinary Shares                                     | Other equity instruments | Capital reserves | Surplus reserves | General risk reserve | Other reserves | Retained earnings | Subtotal |                           |          |
| 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 13 to 148 form an integral part of these financial statements.



Shanghai Pudong Development Bank Co., Ltd.  
The Bank's statement of Changes in Equity  
For the year ended 31 December 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                             | <u>Share capital</u> | <u>Other equity instruments</u> | <u>Capital reserves</u> | <u>Surplus reserves</u> | <u>General risk reserve</u> | <u>Other reserves</u> | <u>Retained earnings</u> | <u>Total</u>   |
|-------------------------------------------------------------|----------------------|---------------------------------|-------------------------|-------------------------|-----------------------------|-----------------------|--------------------------|----------------|
| Balance at 1 January 2023                                   | 29,352               | 112,691                         | 81,712                  | 174,385                 | 93,500                      | (3,007)               | 190,909                  | 679,542        |
| Net profit                                                  | -                    | -                               | -                       | -                       | -                           | -                     | 32,933                   | 32,933         |
| Other comprehensive income                                  | -                    | -                               | -                       | -                       | -                           | 4,661                 | -                        | 4,661          |
| Total comprehensive income                                  | -                    | -                               | -                       | -                       | -                           | 4,661                 | 32,933                   | 37,594         |
| Appropriation to surplus reserves and general risk reserves | -                    | -                               | -                       | 14,544                  | 4,500                       | -                     | (19,044)                 | -              |
| Cash dividends paid to ordinary shareholders                | -                    | -                               | -                       | -                       | -                           | -                     | (9,393)                  | (9,393)        |
| 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         | -                    | -                               | -                       | -                       | -                           | 239                   | (239)                    | -              |
| Balance at 31 December 2023                                 | <u>29,352</u>        | <u>112,691</u>                  | <u>81,712</u>           | <u>188,929</u>          | <u>98,000</u>               | <u>1,893</u>          | <u>189,813</u>           | <u>702,390</u> |

The notes on pages 13 to 148 form an integral 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 2022  
(Expressed in millions of RMB unless otherwise stated)

|                                                             | <u>Share capital</u> | <u>Other equity instruments</u> | <u>Capital reserves</u> | <u>Surplus reserves</u> | <u>General risk reserve</u> | <u>Other reserves</u> | <u>Retained earnings</u> | <u>Total</u> |
|-------------------------------------------------------------|----------------------|---------------------------------|-------------------------|-------------------------|-----------------------------|-----------------------|--------------------------|--------------|
| 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 13 to 148 form an integral 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                               | The Group |           | The Bank  |           |
|-------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                                               | 2023      | 2022      | 2023      | 2022      |
| <b>Cash flows from operating activities</b>                                   |           |           |           |           |
| Profit before income tax                                                      | 40,692    | 56,149    | 33,457    | 51,225    |
| Adjustment for:                                                               |           |           |           |           |
| Depreciation and amortization                                                 | 8,575     | 7,828     | 6,876     | 6,598     |
| Interest expense on lease liability                                           | 257       | 294       | 247       | 283       |
| Assets impairment losses                                                      | 76,863    | 75,999    | 75,588    | 74,674    |
| Interest expense from financing activities                                    | 33,894    | 39,212    | 33,535    | 38,767    |
| Interest income from financial investments                                    | (65,896)  | (63,129)  | (64,562)  | (62,585)  |
| Net profit or loss on disposal of fixed assets                                | (72)      | (84)      | (74)      | (12)      |
| Share of profits from associates and joint ventures                           | (223)     | (230)     | (186)     | (198)     |
| Unrealized profit or loss on derivative financial instruments                 | 6,732     | (1,173)   | 6,732     | (1,173)   |
| Net profit or loss arising from financial investments                         | (7,122)   | (5,313)   | (3,234)   | (5,386)   |
| Net trading profit or loss                                                    | (20,533)  | (4,635)   | (20,580)  | (5,585)   |
| Foreign exchange gain or loss arising from investing and financing activities | 4         | 16        | 4         | 16        |
| <b>Changes in operating assets:</b>                                           |           |           |           |           |
| Statutory reserves with central bank                                          | 21,260    | 5,378     | 21,723    | 5,165     |
| Deposits and placements with banks and other financial institutions           | (68,968)  | (83,871)  | (67,889)  | (84,211)  |
| Financial assets held for trading                                             | (18,910)  | (17,072)  | (13,888)  | (30,444)  |
| Financial assets purchased under resale agreements                            | (1,703)   | 66        | (1,703)   | 67        |
| Loans and advances to customers                                               | (162,894) | (172,136) | (158,494) | (164,255) |
| Other operating assets                                                        | (48,087)  | 31,146    | (32,923)  | 33,274    |

The notes on pages 13 to 148 form an integral 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                        | The Group   |             | The Bank    |             |
|------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                        | 2023        | 2022        | 2023        | 2022        |
| <b>Cash flows from operating activities (continued)</b>                |             |             |             |             |
| <b>Changes in operating liabilities:</b>                               |             |             |             |             |
| Borrowing from central bank                                            | 69,274      | (70,174)    | 69,328      | (69,784)    |
| Deposits and placements from banks and other financial institutions    | 181,418     | (80,768)    | 164,334     | (84,079)    |
| Financial assets sold under repurchase agreements                      | 169,458     | 175,885     | 143,923     | 134,847     |
| Deposits from customers                                                | 158,152     | 423,422     | 157,299     | 422,573     |
| Other operating liabilities                                            | 29,218      | 58,013      | 17,074      | 62,687      |
| Cash generated from operating activities before income tax payment     | 401,389     | 374,823     | 366,587     | 322,464     |
| Income tax paid                                                        | (12,992)    | (9,724)     | (9,851)     | (8,117)     |
| Net cash generated from operating activities                           | 388,397     | 365,099     | 356,736     | 314,347     |
| <b>Cash flows from investing activities</b>                            |             |             |             |             |
| Cash received from redemption of investment                            | 2,037,428   | 1,709,002   | 1,986,357   | 1,702,286   |
| Investment income received                                             | 73,492      | 66,212      | 73,091      | 64,672      |
| Proceeds from disposal of fixed assets                                 | 290         | 539         | 170         | 421         |
| Purchase of fixed assets, intangible assets and other long-term assets | (12,865)    | (7,999)     | (5,483)     | (4,051)     |
| Cash received from disposal of subsidiaries                            | 6,408       | -           | -           | -           |
| Cash payment of investment                                             | (2,134,534) | (1,938,078) | (2,058,874) | (1,881,326) |
| Net cash used in investing activities                                  | (29,781)    | (170,324)   | (4,739)     | (117,998)   |

The notes on pages 13 to 148 form an integral 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 2023  
(Expressed in millions of RMB unless otherwise stated)

|                                                                                                                        | The Group        |                  | The Bank         |                  |
|------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                                        | 2023             | 2022             | 2023             | 2022             |
| <b>Cash flows from financing activities</b>                                                                            |                  |                  |                  |                  |
| Proceeds from issuance of bonds and interbank deposits                                                                 | 886,846          | 1,192,526        | 886,846          | 1,191,019        |
| Cash payment of debt repayment                                                                                         | (1,212,680)      | (1,179,731)      | (1,209,688)      | (1,175,479)      |
| Cash paid for dividends, profit and interest of bond issued                                                            | (41,710)         | (56,410)         | (41,286)         | (55,744)         |
| Payment for other financing activities                                                                                 | (3,150)          | (3,087)          | (3,143)          | (3,077)          |
| Net cash used in financing activities                                                                                  | (370,694)        | (46,702)         | (367,271)        | (43,281)         |
| Effect of exchange rate changes on cash and cash equivalents                                                           | 1,901            | 8,105            | 1,996            | 7,601            |
| Net (decrease) / increase in cash and cash equivalents                                                                 | (10,177)         | 156,178          | (13,278)         | 160,669          |
| Cash and cash equivalents at the beginning of the year                                                                 | 372,304          | 216,126          | 368,221          | 207,552          |
| Cash and cash equivalents at the end of the year                                                                       | 362,127          | 372,304          | 354,943          | 368,221          |
| <b>Cash flows from operating activities include:</b>                                                                   |                  |                  |                  |                  |
| Interest received                                                                                                      | 243,981          | 253,038          | 236,539          | 245,166          |
| Interest paid                                                                                                          | (133,716)        | (120,011)        | (129,244)        | (117,417)        |
| <b>Composition of cash and cash equivalents:</b>                                                                       |                  |                  |                  |                  |
|                                                                                                                        | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Cash                                                                                                                   | 6,333            | 5,544            | 6,198            | 5,403            |
| Surplus reserves with central bank                                                                                     | 206,375          | 105,479          | 204,313          | 103,168          |
| Deposits and placements with banks and other financial institutions with original maturities no more than three months | 106,465          | 149,915          | 101,478          | 148,284          |
| Financial assets purchased under resale agreements with original maturities no more than three months                  | 42,954           | 111,366          | 42,954           | 111,366          |
| Total                                                                                                                  | 362,127          | 372,304          | 354,943          | 368,221          |

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.  
Notes to the financial statements  
(Expressed in millions of RMB unless otherwise stated)

## **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 National Financial Regulatory Administration (the “NFRA”), 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 NFRA. The Bank’s overseas branches and subsidiaries are subject to the supervision by local regulators.

The major subsidiaries are consolidated in the Bank’s financial statements are disclosure in Note III. 38(1).

## **II Basis of preparation and accounting policies**

### **1. Basis of preparation**

The accounting year of the Group is from 1 January to 31 December.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and Interpretations promulgated by the International Accounting Standards Board (“IASB”), on the basis of going concern. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”) and financial assets measured at fair value through other comprehensive income (“FVOCI”), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note II. 4(31).

## 2. Changes in significant accounting policies

The Group has adopted the following amendments to the IFRS issued by the IASB in the current year.

- *IFRS 17 – Insurance Contracts*
- *Amendments IAS 1 and IFRS Practice statement 2 - Disclosure of accounting policies.*
- *Amendments to IAS 8 – Accounting Estimate*
- *Amendments to IAS 12 - Deferred taxes related to assets and liabilities arising from individual transactions*
- *Amendments to IAS 12 - International Tax Reform—Pillar Two Model Rules*

The above amended IFRSs that are effective in 2023 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.

- *Amendments to IFRS 16<sup>(1)</sup> - Lease liabilities in sale and leaseback transactions*
- *Amendments IAS 1 (2020)<sup>(1)</sup> - Liability classified as current or non-current*
- *Amendments IAS 1 (2022) <sup>(1)</sup> - Non-current liabilities with contractual conditions*
- *Amendments to IAS 7 and IFRS 7 <sup>(1)</sup> - Supplier finance arrangements*
- *Amendments to IAS 21 <sup>(2)</sup> - Lack of exchangeability*
- *Amendments to IFRS 10 and IAS 28<sup>(3)</sup> - 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 2024.

(2) Effective for accounting periods beginning on or after 1 January 2025.

(3) Effective date has been indefinitely deferred.

The adoption of the above amendments will not have a material impact on the Group's consolidated financial statements.

## 4. Summary of significant accounting policies

The Group determines the materiality of the financial statement disclosures, both in terms of nature and amount. In determining the materiality of the nature, the Group considers whether the matter is part of the Group's daily activities and whether it significantly affects the Group's financial position, financial performance, cash flows and other factors. In determining the materiality of the amount, the Group considers the proportion of the amount to the amount of the relevant items (such as total assets, total liabilities, total owners' equity, operating income, operating costs, net profit, total comprehensive income), or to the amount of a separate item in the financial statements to which it belongs

(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 has significant influence.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.



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 domestic institutions 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 overseas are measured using the currency of the primary economic environment in which the entity operates. Their financial statements have been translated based on the accounting policy set out in Note II.4(5).

(5) Foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or rates that approximate the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. For monetary items denominated in foreign currency and classified as financial assets measured at fair value and whose changes are included in other comprehensive income, the foreign currency translation difference is decomposed into the translation difference caused by the change of amortized cost and the translation difference caused by the change of other book amounts of these items. The translation difference arising from the change of amortized cost is included in the current profit and loss, and the translation difference arising from the change of other carrying amount is included in other comprehensive income. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, construction or production of qualifying assets.

Non-monetary items that are measured at historical cost in a foreign currency are still translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits

are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(6) Criteria for determining cash and cash equivalents

Cash and cash equivalents refer to cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(7) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

(8) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) *Classification and subsequent measurement of financial assets*

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

- Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses (including any interest or dividend income) are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) *Classification and subsequent measurement of financial liabilities*

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as 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 Group'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 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 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 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.

### *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:

| <u>Class</u>                                 | <u>Estimate<br/>useful life</u> | <u>Residual<br/>value rate</u> | <u>Depreciation<br/>rate</u> |
|----------------------------------------------|---------------------------------|--------------------------------|------------------------------|
| Plant and buildings                          | 30 years                        | 3 - 5%                         | 3.17 - 3.23%                 |
| Motor vehicles                               | 5 years                         | 3 - 5%                         | 19.00 - 19.40%               |
| Electronic computers and<br>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. The useful life of the land use right is 27 to 70 years. 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. The useful life of the software is 1 to 10 years.
- Brand and franchise right are intangible assets with no expected useful lives, which are not subject to amortization.

The Group at least reviews the useful life and amortization method of a finite useful life intangible assets at the end of each year.

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 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 the Group 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) Expenses

### *Interest expenses*

Interest expenses on financial liabilities are calculated based on the amortised cost of financial liabilities and the timing of capital occupation using the effective interest method, and is recognised in the corresponding period.

### *Other expenses*

Other expenses are recognised on an accrual basis.

## (27) 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 accrued 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.

The Group pays supplementary retirement benefits for certain retired employees, which is the defined benefit plans. The Group recognises its liabilities based on the actuarial results, the related actuarial gains and losses are recognised in other comprehensive income and shall not be reversed to profit or loss in subsequent accounting period.

### *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.

## **(28) 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 temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is also not recognised for taxable temporary differences arising from the initial recognition of goodwill.

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.

## (29) Leases

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 economic 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.

(30) 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.

(31) 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 fund investments, equity investments, capital trust and asset management plans, asset-backed securities, financial products and other investments. 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 fund investments, equity investments, capital trust and asset management plans, asset-backed securities and financial products and other investments in which the Group has interests or is the initiator but is not included in the scope of the consolidated financial statements, see Note III.(37).



### III NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

#### 1 Net interest income

|                                                                     | The Group |           | The Bank  |           |
|---------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                                     | 2023      | 2022      | 2023      | 2022      |
| <b>Interest income</b>                                              |           |           |           |           |
| Loans and advances to customers                                     |           |           |           |           |
| -Corporate loans                                                    | 102,076   | 96,127    | 96,781    | 91,888    |
| -Retail loans                                                       | 98,636    | 110,209   | 97,847    | 109,314   |
| -Discounted bills                                                   | 5,837     | 10,585    | 5,837     | 10,585    |
| Financial investments                                               |           |           |           |           |
| -at amortized cost                                                  | 45,699    | 45,430    | 44,736    | 45,349    |
| -at fair value through other comprehensive income                   | 20,197    | 16,534    | 19,826    | 16,070    |
| Deposits and placements with banks and other financial institutions | 17,492    | 12,914    | 17,505    | 12,883    |
| Deposits with central bank                                          | 5,570     | 5,599     | 5,541     | 5,570     |
| Financial assets purchased under resale agreements                  | 2,091     | 2,122     | 2,091     | 2,122     |
| Subtotal                                                            | 297,598   | 299,520   | 290,164   | 293,781   |
| <b>Interest expense</b>                                             |           |           |           |           |
| Deposits from customers                                             | (105,378) | (96,828)  | (104,704) | (96,005)  |
| Debt securities issued                                              | (33,894)  | (39,212)  | (33,535)  | (38,767)  |
| Deposits and placements from banks and other financial institutions | (29,038)  | (20,125)  | (25,748)  | (18,366)  |
| Financial assets sold under repurchase agreements                   | (5,879)   | (3,704)   | (5,401)   | (3,704)   |
| Borrowing from central bank                                         | (4,974)   | (5,982)   | (4,963)   | (5,968)   |
| Subtotal                                                            | (179,163) | (165,851) | (174,351) | (162,810) |
| <b>Net interest income</b>                                          | 118,435   | 133,669   | 115,813   | 130,971   |

## 2 Net fee and commission income

|                                                            | The Group |         | The Bank |          |
|------------------------------------------------------------|-----------|---------|----------|----------|
|                                                            | 2023      | 2022    | 2023     | 2022     |
| Fee and commission income                                  |           |         |          |          |
| Fees from bank cards                                       | 13,344    | 14,403  | 13,344   | 14,402   |
| Custodian and other<br>fiduciary activities<br>commissions | 5,382     | 11,222  | 2,681    | 7,100    |
| Agency commissions                                         | 5,292     | 4,090   | 5,278    | 4,090    |
| Fees from investment<br>banking activities                 | 3,293     | 3,775   | 3,246    | 3,595    |
| Credit commitment fees                                     | 2,424     | 2,093   | 2,424    | 2,092    |
| Settlement and clearing<br>fees                            | 1,017     | 992     | 965      | 992      |
| Others                                                     | 1,283     | 1,191   | 1,139    | 1,037    |
| Subtotal                                                   | 32,035    | 37,766  | 29,077   | 33,308   |
| Fee and commission<br>expense                              | (7,582)   | (9,075) | (7,980)  | (10,860) |
| Net fee and commission<br>income                           | 24,453    | 28,691  | 21,097   | 22,448   |

## 3 Net trading gains and losses

|                                                             | The Group |         | The Bank |         |
|-------------------------------------------------------------|-----------|---------|----------|---------|
|                                                             | 2023      | 2022    | 2023     | 2022    |
| Financial investments<br>measured at FVTPL                  | 21,386    | 14,257  | 21,025   | 14,865  |
| Non-foreign exchange<br>derivative financial<br>instruments | 1,278     | 3,191   | 1,278    | 3,191   |
| Hedged bonds                                                | 451       | (497)   | 451      | (497)   |
| Precious metals                                             | (272)     | (6,935) | (272)    | (6,935) |
| Exchange gains and<br>losses                                | (3,536)   | 6,692   | (3,477)  | 6,648   |
| Others                                                      | 280       | 464     | 282      | 463     |
| Total                                                       | 19,587    | 17,172  | 19,287   | 17,735  |

#### 4 Net gains and losses arising from financial investments

|                                         | Note | The Group    |              | The Bank     |              |
|-----------------------------------------|------|--------------|--------------|--------------|--------------|
|                                         |      | 2023         | 2022         | 2023         | 2022         |
| Financial investments at amortized cost |      | 2,419        | 2,683        | 2,370        | 2,683        |
| Financial investments measured at FVOCI |      | 395          | 2,509        | 501          | 2,457        |
| Dividend income                         |      | 67           | 121          | 363          | 246          |
| Others                                  | (1)  | 4,241        | -            | -            | -            |
| Total                                   |      | <u>7,122</u> | <u>5,313</u> | <u>3,234</u> | <u>5,386</u> |

(1) In 2023, Shanghai International Trust transferred the equity of China International Fund Management, and the Group recognised investment income of RMB 4.241 billion.

#### 5 Operating expenses

|                               | The Group     |               | The Bank      |               |
|-------------------------------|---------------|---------------|---------------|---------------|
|                               | 2023          | 2022          | 2023          | 2022          |
| Staff costs                   |               |               |               |               |
| - Employee benefits           | 25,638        | 26,247        | 23,955        | 23,979        |
| - Post-employment benefits    | 2,869         | 2,690         | 2,684         | 2,513         |
| Subtotal                      | <u>28,507</u> | <u>28,937</u> | <u>26,639</u> | <u>26,492</u> |
| Depreciation and amortization | 7,075         | 6,801         | 6,876         | 6,598         |
| Business tax and surcharges   | 2,002         | 2,059         | 1,889         | 1,953         |
| Others                        | <u>18,421</u> | <u>18,791</u> | <u>15,729</u> | <u>16,325</u> |
| Total                         | <u>56,005</u> | <u>56,588</u> | <u>51,133</u> | <u>51,368</u> |

## 6 Impairment losses

|                                 | The Group |        | The Bank |        |
|---------------------------------|-----------|--------|----------|--------|
|                                 | 2023      | 2022   | 2023     | 2022   |
| Loans and advances to customers | 55,713    | 65,143 | 55,045   | 64,005 |
| Others                          | 21,150    | 10,856 | 20,543   | 10,669 |
| Total                           | 76,863    | 75,999 | 75,588   | 74,674 |

## 7 Income tax expense

|                             | The Group |         | The Bank |         |
|-----------------------------|-----------|---------|----------|---------|
|                             | 2023      | 2022    | 2023     | 2022    |
| Current income tax expense  | 7,461     | 11,864  | 4,530    | 10,127  |
| Deferred income tax expense | (4,198)   | (7,712) | (4,006)  | (7,381) |
| Total                       | 3,263     | 4,152   | 524      | 2,746   |

Reconciliations between the Group's income tax expenses calculated using the statutory tax rate and actual income tax expense are as follows:

|                                                                 | Note | The Group |          | The Bank |         |
|-----------------------------------------------------------------|------|-----------|----------|----------|---------|
|                                                                 |      | 2023      | 2022     | 2023     | 2022    |
| Profit before income tax                                        |      | 40,692    | 56,149   | 33,457   | 51,225  |
| Tax calculated at statutory tax rate of the PRC                 |      | 10,173    | 14,037   | 8,364    | 12,806  |
| Tax effect from other various tax rates adopted by subsidiaries |      | 45        | 49       | -        | -       |
| Tax effect of non-deductible expenses (1)                       |      | 3,275     | 982      | 3,178    | 671     |
| Tax effect of non-taxable income                                |      | (10,172)  | (10,035) | (10,013) | (9,841) |
| Other income tax adjustments                                    |      | (58)      | (881)    | (1,005)  | (890)   |
| Income tax expense                                              |      | 3,263     | 4,152    | 524      | 2,746   |

(1) Non-deductible expenses mainly refer to non-deductible asset write-off losses.

## 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 2023, 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

|                                                                               | 2023    | 2022    |
|-------------------------------------------------------------------------------|---------|---------|
| Profit for the year attributable to shareholders of the Bank                  | 36,702  | 51,171  |
| 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   | 31,349  | 45,818  |
| Weighted average number of outstanding share capital (million)                | 29,352  | 29,352  |
| Basic EPS (RMB)                                                               | 1.07    | 1.56    |

### (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

|                                                                                                                             | 2023   | 2022   |
|-----------------------------------------------------------------------------------------------------------------------------|--------|--------|
| Net profit for the current year attributable to shareholders of the Bank                                                    | 31,349 | 45,818 |
| Add: Interest expenses of convertible corporate bonds in the current year (after tax)                                       | 1,504  | 1,471  |
| Net profit for calculating diluted earnings per share this year                                                             | 32,853 | 47,289 |
| 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) | 3,687  | 3,579  |
| Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)     | 33,039 | 32,931 |
| Diluted earnings per share (RMB)                                                                                            | 0.99   | 1.44   |

9 Cash and deposits with central bank

|                                      | Note | The Group        |                  | The Bank         |                  |
|--------------------------------------|------|------------------|------------------|------------------|------------------|
|                                      |      | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Cash                                 |      | 6,333            | 5,544            | 6,198            | 5,403            |
| Statutory reserves with central bank | (1)  | 324,091          | 345,351          | 321,710          | 343,433          |
| Surplus reserves with central bank   | (2)  | 206,375          | 105,479          | 204,313          | 103,168          |
| Fiscal deposits with central bank    |      | 167              | 544              | 167              | 544              |
| Accrued interest                     |      | 165              | 171              | 165              | 171              |
| Total                                |      | 537,131          | 457,089          | 532,553          | 452,719          |

- (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 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Deposits with domestic banks                             | 65,378           | 108,385          | 48,769           | 98,389           |
| Deposits with overseas banks                             | 39,487           | 58,737           | 39,648           | 58,532           |
| Deposits with domestic non-bank financial institutions   | 634              | 906              | 599              | 906              |
| Placements with domestic banks                           | 42,532           | 39,407           | 42,532           | 39,407           |
| Placements with overseas banks                           | 57,470           | 38,714           | 57,470           | 38,714           |
| Placements with domestic non-bank financial institutions | 346,351          | 282,110          | 355,417          | 288,456          |
| Placements with overseas non-bank financial institutions | 1,263            | 80               | 1,263            | 134              |
| Accrued interest                                         | 4,794            | 3,873            | 4,703            | 3,813            |
| Less: Impairment allowance                               | (547)            | (569)            | (466)            | (539)            |
| Total                                                    | 557,362          | 531,643          | 549,935          | 527,812          |

As at 31 December 2023 and 31 December 2022, the Group's due from and placements with banks and other financial institutions included refundable deposits and risk reserves, and were restricted in usage.

## 11 Derivative financial instruments

### The Group

|                                                | Notional amount | 31 December 2023 |             |
|------------------------------------------------|-----------------|------------------|-------------|
|                                                |                 | Fair value       |             |
|                                                |                 | Assets           | Liabilities |
| Interest rate derivatives                      | 4,694,725       | 17,002           | (16,037)    |
| Exchange rate derivatives                      | 2,213,084       | 16,508           | (18,251)    |
| Precious metal and other derivatives           | 666,916         | 22,801           | (18,005)    |
| Total                                          |                 | 56,311           | (52,293)    |
| Derivatives designated as hedging instruments: |                 |                  |             |
| Fair value hedges                              |                 |                  |             |
| - Interest rate swap contracts                 | 14,375          | 106              | (72)        |
| - Currency swap contracts                      | 7,447           | 18               | (39)        |
| Cash flow hedges                               |                 |                  |             |
| - Interest rate swap contracts                 | 422             | 22               | -           |
| - Currency swap contracts                      | 52,760          | 117              | (135)       |
| Total                                          |                 | 263              | (246)       |
|                                                | Notional amount | 31 December 2022 |             |
|                                                |                 | 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)       |
| Cash flow hedges                               |                 |                  |             |
| - Interest rate swap contracts                 | 627             | 34               | -           |
| - Currency swap contracts                      | 20,788          | 134              | (148)       |
| Total                                          |                 | 713              | (248)       |

## The Bank

| 31 December 2023                                 |                 |            |             |
|--------------------------------------------------|-----------------|------------|-------------|
|                                                  | Notional amount | Fair value |             |
|                                                  |                 | Assets     | Liabilities |
| Interest rate derivatives                        | 4,694,282       | 16,980     | (16,044)    |
| Exchange rate derivatives                        | 2,202,907       | 16,484     | (18,211)    |
| Precious metal derivatives and other derivatives | 666,916         | 22,801     | (18,005)    |
| Total                                            |                 | 56,265     | (52,260)    |
| Derivatives designated as hedging instruments:   |                 |            |             |
| Fair value hedges                                |                 |            |             |
| - Interest rate swap contracts                   | 14,375          | 106        | (72)        |
| Cash flow hedges                                 |                 |            |             |
| - Currency swap contracts                        | 49,710          | 111        | (134)       |
| Total                                            |                 | 217        | (206)       |

| 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 derivatives 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)       |
| Cash flow hedges                                 |                 |            |             |
| - Currency swap contracts                        | 18,111          | 109        | (131)       |
| Total                                            |                 | 654        | (231)       |

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.



### Fair value hedges

The Group uses the interest rate swap instruments and currency swap instruments to hedge a portion of its exposure to changes in fair value due to changes in interest rates or changes in foreign exchange rates respectively. Hedged items include financial investments measured at FVOCI, debentures payable and entrusted loans. The Group mainly adopts the regression analysis method and the key terms comparison method to evaluate the effectiveness of hedging. The management of the Group considers the hedging relationship is highly effective after the testing.

### Cash flow hedges

The Group uses the interest rate swap instruments and currency swap instruments to hedge the cash flow fluctuations due to the interest rate risk and foreign currency risk respectively. Hedged items include loans to customers, financial investments measured at amortized cost, interbank lending, borrowings from banks and other financial institutions, issuance of interbank negotiable certificates of deposit and entrusted loans. The Group mainly adopts the regression analysis method and the key terms comparison method to evaluate the effectiveness of hedging. The management of the Group considers the hedging relationship is highly effective after the testing. In 2023 and 2022, gains and losses arising from the ineffective portion of hedges recognised in the cash flow hedges were not significant, and there were no instances of discontinuing the use of hedge accounting due to highly probable expected cash flows that are no longer expected to occur.

## 12 Financial assets purchased under resale agreements

The Group and the Bank

|                            | The Group and the Bank |                     |
|----------------------------|------------------------|---------------------|
|                            | 31 December<br>2023    | 31 December<br>2022 |
| Bonds                      | 38,184                 | 111,366             |
| Discounted bills           | 6,473                  | -                   |
| Accrued interest           | 76                     | 60                  |
| Less: Impairment allowance | (14)                   | (15)                |
| Total                      | 44,719                 | 111,411             |

13 Loans and advances to customers

|                                                                                  | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                  | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Loans and advances to customers measured at                                      |                     |                     |                     |                     |
| - amortized cost (a)                                                             | 4,639,222           | 4,371,902           | 4,525,042           | 4,262,596           |
| - FVOCI (b)                                                                      | 370,748             | 468,537             | 370,748             | 468,537             |
| - FVTPL (c)                                                                      | 7,784               | 60,223              | 7,784               | 60,223              |
| Subtotal                                                                         | <u>5,017,754</u>    | <u>4,900,662</u>    | <u>4,903,574</u>    | <u>4,791,356</u>    |
| Accrued interest                                                                 | <u>16,362</u>       | <u>16,309</u>       | <u>15,622</u>       | <u>15,693</u>       |
| Impairment allowances                                                            |                     |                     |                     |                     |
| -Loans and advances to customers measured at amortized cost                      | (128,424)           | (118,083)           | (121,634)           | (111,473)           |
| - Accrued interest of loans and advances to customers measured at amortized cost | <u>(996)</u>        | <u>(538)</u>        | <u>(996)</u>        | <u>(536)</u>        |
| Subtotal                                                                         | <u>(129,420)</u>    | <u>(118,621)</u>    | <u>(122,630)</u>    | <u>(112,009)</u>    |
| Net loans and advances to customers                                              | <u>4,904,696</u>    | <u>4,798,350</u>    | <u>4,796,566</u>    | <u>4,695,040</u>    |

|                                                                | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| (a) Loans and advances to customers measured at amortized cost |                     |                     |                     |                     |
| Corporates loans                                               |                     |                     |                     |                     |
| Commercial Loans                                               | 2,653,881           | 2,392,505           | 2,554,375           | 2,298,480           |
| Trade finance                                                  | 118,868             | 85,865              | 118,868             | 85,865              |
| Discounted bills                                               | 651                 | 1,132               | 650                 | 1,132               |
| Retail loans                                                   |                     |                     |                     |                     |
| Mortgage loans                                                 | 838,152             | 872,127             | 832,371             | 865,791             |
| Business loans                                                 | 467,994             | 445,633             | 463,633             | 440,968             |
| Credit card and overdraft                                      | 385,617             | 433,693             | 385,617             | 433,693             |
| Consumer loans and others                                      | 174,059             | 140,947             | 169,528             | 136,667             |
| Subtotal                                                       | 4,639,222           | 4,371,902           | 4,525,042           | 4,262,596           |
| (b) Loans and advances to customers measured at FVOCI          |                     |                     |                     |                     |
| Corporates loans                                               |                     |                     |                     |                     |
| Trade finance                                                  | 62,588              | 68,727              | 62,588              | 68,727              |
| Discounted bills                                               | 308,160             | 399,810             | 308,160             | 399,810             |
| Subtotal                                                       | 370,748             | 468,537             | 370,748             | 468,537             |
| (c) Loans and advances to customers measured at FVTPL          |                     |                     |                     |                     |
| Corporates loans                                               |                     |                     |                     |                     |
| Trade finance                                                  | 5,662               | 50,961              | 5,662               | 50,961              |
| Discounted bills                                               | 2,122               | 9,262               | 2,122               | 9,262               |
| Subtotal                                                       | 7,784               | 60,223              | 7,784               | 60,223              |
| Total loans and advances to customers                          | 5,017,754           | 4,900,662           | 4,903,574           | 4,791,356           |

### 13.1 Loans and advances to customers analysed by industry

#### The Group

|                                                                 | 31 December 2023 |                 | 31 December 2022 |                 |
|-----------------------------------------------------------------|------------------|-----------------|------------------|-----------------|
|                                                                 | <u>Amount</u>    | <u>Rate (%)</u> | <u>Amount</u>    | <u>Rate (%)</u> |
| <b>Corporate loans</b>                                          |                  |                 |                  |                 |
| Manufacturing                                                   | 572,695          | 11.42           | 472,245          | 9.64            |
| Lease and commercial service                                    | 548,048          | 10.92           | 469,945          | 9.59            |
| Real estate                                                     | 345,744          | 6.89            | 322,036          | 6.57            |
| Water conservancy, environment and public facilities management | 196,775          | 3.92            | 191,308          | 3.90            |
| Financial services                                              | 193,704          | 3.86            | 235,797          | 4.81            |
| Transportation, warehouse and postal services                   | 193,132          | 3.85            | 190,118          | 3.88            |
| Wholesale and retail                                            | 189,398          | 3.77            | 159,972          | 3.26            |
| Construction                                                    | 176,645          | 3.52            | 157,220          | 3.21            |
| Electricity, heat, gas, water production and supply             | 165,020          | 3.29            | 161,222          | 3.29            |
| Mining                                                          | 78,825           | 1.57            | 70,194           | 1.43            |
| Information transmission, software and IT services              | 75,275           | 1.50            | 66,636           | 1.36            |
| Research and technology services                                | 36,334           | 0.72            | 31,425           | 0.64            |
| Culture, sports and entertainment                               | 20,169           | 0.40            | 19,094           | 0.39            |
| Education                                                       | 16,443           | 0.33            | 14,937           | 0.30            |
| Healthcare and social welfare                                   | 13,420           | 0.27            | 12,665           | 0.26            |
| Agriculture, forestry, farming and fishery                      | 12,721           | 0.25            | 14,202           | 0.29            |
| Hotels and catering services                                    | 5,043            | 0.10            | 6,652            | 0.14            |
| Residential services, repairs and other services                | 1,288            | 0.03            | 1,850            | 0.04            |
| Others                                                          | 320              | 0.01            | 540              | 0.02            |
| <b>Subtotal</b>                                                 | <b>2,840,999</b> | <b>56.62</b>    | <b>2,598,058</b> | <b>53.02</b>    |
| <b>Discounted bills</b>                                         | <b>310,933</b>   | <b>6.20</b>     | <b>410,204</b>   | <b>8.37</b>     |
| <b>Retail loans</b>                                             | <b>1,865,822</b> | <b>37.18</b>    | <b>1,892,400</b> | <b>38.61</b>    |
| <b>Total</b>                                                    | <b>5,017,754</b> | <b>100.00</b>   | <b>4,900,662</b> | <b>100.00</b>   |

The Bank

|                                                     | 31 December 2023 |               | 31 December 2022 |               |
|-----------------------------------------------------|------------------|---------------|------------------|---------------|
|                                                     | <u>Amount</u>    | <u>(%)</u>    | <u>Amount</u>    | <u>(%)</u>    |
| <b>Corporate loans</b>                              |                  |               |                  |               |
| Manufacturing                                       | 549,615          | 11.22         | 456,864          | 9.53          |
| Lease and commercial service                        | 543,491          | 11.08         | 468,176          | 9.76          |
| Real estate                                         | 345,727          | 7.05          | 322,019          | 6.71          |
| Water, environment and public facilities management | 194,741          | 3.97          | 187,423          | 3.91          |
| Financial services                                  | 196,769          | 4.01          | 237,548          | 4.95          |
| Transportation, warehouse and postal services       | 157,999          | 3.22          | 156,097          | 3.26          |
| Wholesale and retail                                | 186,732          | 3.81          | 156,926          | 3.28          |
| Construction                                        | 171,831          | 3.50          | 152,750          | 3.19          |
| Electricity, heat, gas, water production and supply | 145,914          | 2.98          | 138,747          | 2.90          |
| Mining                                              | 73,462           | 1.50          | 64,988           | 1.36          |
| Information transmission, software and IT services  | 73,012           | 1.49          | 65,535           | 1.37          |
| Research and technology services                    | 35,014           | 0.71          | 31,258           | 0.65          |
| Culture, sports and entertainment                   | 19,737           | 0.40          | 18,676           | 0.39          |
| Education                                           | 16,287           | 0.33          | 14,753           | 0.31          |
| Healthcare and social welfare                       | 13,215           | 0.27          | 12,495           | 0.26          |
| Agriculture, forestry, farming and fishery          | 11,522           | 0.23          | 10,929           | 0.23          |
| Hotels and catering services                        | 4,879            | 0.10          | 6,508            | 0.14          |
| Residential services, repairs and other services    | 1,246            | 0.03          | 1,804            | 0.04          |
| Others                                              | 300              | 0.01          | 537              | 0.02          |
| <b>Subtotal</b>                                     | <b>2,741,493</b> | <b>55.91</b>  | <b>2,504,033</b> | <b>52.26</b>  |
| <b>Discounted bills</b>                             | <b>310,932</b>   | <b>6.34</b>   | <b>410,204</b>   | <b>8.56</b>   |
| <b>Retail loans</b>                                 | <b>1,851,149</b> | <b>37.75</b>  | <b>1,877,119</b> | <b>39.18</b>  |
| <b>Total</b>                                        | <b>4,903,574</b> | <b>100.00</b> | <b>4,791,356</b> | <b>100.00</b> |

### 13.2 Loans and advances to customers analysed by collateral type

|                      | The Group        |                  | The Bank         |                  |
|----------------------|------------------|------------------|------------------|------------------|
|                      | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Unsecured loans      | 1,967,646        | 2,057,153        | 1,932,734        | 2,015,028        |
| Guaranteed loans     | 1,048,876        | 941,698          | 995,336          | 897,598          |
| Collateralized loans | 1,770,621        | 1,661,258        | 1,755,742        | 1,645,324        |
| Pledged loans        | 230,611          | 240,553          | 219,762          | 233,406          |
| Total                | 5,017,754        | 4,900,662        | 4,903,574        | 4,791,356        |

### 13.3 Overdue loans and advances to customers

#### The Group

|                      | 31 December 2023                           |                                               |                                                |                       | Total   |
|----------------------|--------------------------------------------|-----------------------------------------------|------------------------------------------------|-----------------------|---------|
|                      | 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 |         |
| Unsecured loans      | 16,668                                     | 12,325                                        | 1,585                                          | 1,708                 | 32,286  |
| Guaranteed loans     | 5,181                                      | 5,823                                         | 10,304                                         | 1,063                 | 22,371  |
| Collateralized loans | 16,278                                     | 14,004                                        | 9,605                                          | 1,946                 | 41,833  |
| Pledged loans        | 643                                        | 316                                           | 3,462                                          | 416                   | 4,837   |
| Total                | 38,770                                     | 32,468                                        | 24,956                                         | 5,133                 | 101,327 |

|                      | 31 December 2022                           |                                               |                                                |                       | Total   |
|----------------------|--------------------------------------------|-----------------------------------------------|------------------------------------------------|-----------------------|---------|
|                      | 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 |         |
| 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 |

## The Bank

| 31 December 2023        |                                                     |                                                        |                                                         |                             |        |
|-------------------------|-----------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|-----------------------------|--------|
|                         | Past due up to<br>90 days<br>(including 90<br>days) | Past due 90 days<br>to 1 year<br>(including<br>1 year) | Past due 1 year<br>to 3 years<br>(including 3<br>years) | Past due<br>over 3<br>years | Total  |
| Unsecured<br>loans      | 16,224                                              | 12,221                                                 | 1,346                                                   | 876                         | 30,667 |
| Guaranteed<br>loans     | 5,049                                               | 5,672                                                  | 9,896                                                   | 958                         | 21,575 |
| Collateralized<br>loans | 16,185                                              | 13,608                                                 | 9,462                                                   | 1,933                       | 41,188 |
| Pledged<br>loans        | 643                                                 | 316                                                    | 3,461                                                   | 416                         | 4,836  |
| Total                   | 38,101                                              | 31,817                                                 | 24,165                                                  | 4,183                       | 98,266 |

| 31 December 2022        |                                                     |                                                        |                                                         |                             |         |
|-------------------------|-----------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|-----------------------------|---------|
|                         | Past due up to<br>90 days<br>(including 90<br>days) | Past due 90 days<br>to 1 year<br>(including<br>1 year) | Past due 1 year<br>to 3 years<br>(including 3<br>years) | Past due<br>over 3<br>years | Total   |
| Unsecured<br>loans      | 16,337                                              | 12,910                                                 | 2,026                                                   | 1,272                       | 32,545  |
| Guaranteed<br>loans     | 6,346                                               | 7,663                                                  | 8,659                                                   | 2,095                       | 24,763  |
| Collateralized<br>loans | 14,749                                              | 11,685                                                 | 10,281                                                  | 2,025                       | 38,740  |
| Pledged<br>loans        | 2,570                                               | 1,965                                                  | 1,830                                                   | 136                         | 6,501   |
| Total                   | 40,002                                              | 34,223                                                 | 22,796                                                  | 5,528                       | 102,549 |

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

### 13.4 Movements of ECL allowance

#### (a) Movements of ECL allowance of loans and advances to customers at amortized cost

##### The Group

|                                                              | Note | Stage 1<br>12-month<br>ECL | Stage 2<br>Life-time<br>ECL | Stage 3<br>Life-time<br>ECL | Total    |
|--------------------------------------------------------------|------|----------------------------|-----------------------------|-----------------------------|----------|
| Balance at 1 January 2023                                    |      | 38,285                     | 23,056                      | 56,742                      | 118,083  |
| Transfers during the year:                                   |      |                            |                             |                             |          |
| - Transfer to stage 1                                        |      | 2,664                      | (2,390)                     | (274)                       | -        |
| - Transfer to stage 2                                        |      | (2,676)                    | 4,175                       | (1,499)                     | -        |
| - Transfer to stage 3                                        |      | (1,250)                    | (11,798)                    | 13,048                      | -        |
| Net increase during the year                                 | (1)  | 1,818                      | 8,255                       | 45,916                      | 55,989   |
| Written-offs and disposals during the year                   |      | -                          | -                           | (56,783)                    | (56,783) |
| Recovery of loans and advances written off in previous years |      | -                          | -                           | 10,980                      | 10,980   |
| Others                                                       |      | 6                          | -                           | 149                         | 155      |
| Balance at 31 December 2023                                  |      | 38,847                     | 21,298                      | 68,279                      | 128,424  |

|                                                              | Note | Stage 1<br>12-month<br>ECL | Stage 2<br>Life-time<br>ECL | Stage 3<br>Life-time<br>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  |



## The Bank

|                                                              | Note | Stage 1<br>12-month<br>ECL | Stage 2<br>Life-time<br>ECL | Stage 3<br>Life-time<br>ECL | Total    |
|--------------------------------------------------------------|------|----------------------------|-----------------------------|-----------------------------|----------|
| Balance at 1 January 2023                                    |      | 35,324                     | 21,533                      | 54,616                      | 111,473  |
| Transfers during the year:                                   |      |                            |                             |                             |          |
| - Transfer to stage 1                                        |      | 2,633                      | (2,363)                     | (270)                       | -        |
| - Transfer to stage 2                                        |      | (2,564)                    | 4,035                       | (1,471)                     | -        |
| - Transfer to stage 3                                        |      | (1,241)                    | (11,712)                    | 12,953                      | -        |
| Net increase during the year                                 | (1)  | 1,876                      | 7,958                       | 45,487                      | 55,321   |
| Written-offs and disposals during the year                   |      | -                          | -                           | (56,186)                    | (56,186) |
| Recovery of loans and advances written off in previous years |      | -                          | -                           | 10,929                      | 10,929   |
| Others                                                       |      | 4                          | -                           | 93                          | 97       |
| Balance at 31 December 2023                                  |      | 36,032                     | 19,451                      | 66,151                      | 121,634  |

|                                                              | Note | Stage 1<br>12-month<br>ECL | Stage 2<br>Life-time<br>ECL | Stage 3<br>Life-time<br>ECL | Total    |
|--------------------------------------------------------------|------|----------------------------|-----------------------------|-----------------------------|----------|
| Balance at 1 January 2022                                    |      | 30,659                     | 14,112                      | 59,410                      | 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                      | 7,737    |
| 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  |

- (1) This item includes changes of Probability of Default ("PD"), Exposure At Default ("EAD"), Loss Given Default ("LGD") due to routine updates to model parameters, and the impact of stage changes on the measurement of ECL.
- (2) Financial instruments whose credit risks haven't significantly increased since the initial recognition are classified into stage 1, then they will be transferred into stage 2 if their credit risks have significantly increased since the initial recognition with no objective evidence for impairment, and will be further transferred into stage 3 where there is objective impairment evidence on the balance sheet date. Refer to Note VIII. 1(3) for ECL measurement.

(b) Movements of ECL allowance of loans and advances to customers at fair value through other comprehensive income

The Group and the Bank

|                                         | <u>Stage 1</u><br>12-month<br>ECL | <u>Stage 2</u><br>Life-time<br>ECL | <u>Stage 3</u><br>Life-time<br>ECL | <u>Total</u> |
|-----------------------------------------|-----------------------------------|------------------------------------|------------------------------------|--------------|
| Balance at 1 January 2023               | 583                               | -                                  | 8                                  | 591          |
| Transfers during the year:              |                                   |                                    |                                    |              |
| - to stage 1                            | -                                 | -                                  | -                                  | -            |
| - to stage 2                            | -                                 | -                                  | -                                  | -            |
| - to stage 3                            | -                                 | -                                  | -                                  | -            |
| Net (decrease)/increase during the year | (272)                             | 4                                  | (8)                                | (276)        |
| Balance at 31 December 2023             | 311                               | 4                                  | -                                  | 315          |

|                                            | <u>Stage 1</u><br>12-month<br>ECL | <u>Stage 2</u><br>Life-time<br>ECL | <u>Stage 3</u><br>Life-time<br>ECL | <u>Total</u> |
|--------------------------------------------|-----------------------------------|------------------------------------|------------------------------------|--------------|
| 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          |

## 14 Financial Investments

|                                                  | Note | The Group        |                  | The Bank         |                  |
|--------------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                                  |      | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Financial investment measured at FVTPL           | (a)  | 780,226          | 708,984          | 740,523          | 636,751          |
| Financial investments measured at amortized cost | (b)  | 1,271,082        | 1,196,691        | 1,208,379        | 1,193,150        |
| Financial investments measured at FVOCI          | (c)  | 624,747          | 649,788          | 613,336          | 641,678          |
| Financial investments, net                       |      | <u>2,676,055</u> | <u>2,555,463</u> | <u>2,562,238</u> | <u>2,471,579</u> |

### (a) Financial investments measured at FVTPL:

|                                                             | Note | The Group        |                  | The Bank         |                  |
|-------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                                             |      | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Fund investments                                            |      | 434,606          | 358,185          | 491,401          | 425,803          |
| Government bonds                                            |      | 63,521           | 54,617           | 63,521           | 54,454           |
| Beneficiary certificates of securities companies            |      | 39,723           | 20,348           | 39,723           | 20,348           |
| Corporate bonds                                             |      | 21,435           | 38,413           | 21,190           | 37,744           |
| Equity investment                                           |      | 17,329           | 19,140           | 12,318           | 11,781           |
| Trust and asset management plans                            |      | 14,801           | 14,112           | 86,671           | 58,221           |
| Bonds issued by financial institutions                      |      | 10,288           | 8,812            | 7,551            | 6,771            |
| Bonds issued by policy banks                                |      | 5,150            | 4,932            | 5,150            | 4,932            |
| Deposit certificates issued by other financial institutions |      | 3,303            | 5,296            | 3,303            | 5,296            |
| Assets backed securities ("ABS")                            |      | 2,290            | 4,683            | 2,290            | 4,683            |
| Other investment                                            | (1)  | 167,780          | 180,446          | 7,405            | 6,718            |
| Total                                                       |      | <u>780,226</u>   | <u>708,984</u>   | <u>740,523</u>   | <u>636,751</u>   |

- (1) Other investments mainly include the Group's investments in structured entities included in the scope of consolidation, the long-term employee benefits payable to Changjiang Pension Insurance Co., Ltd. for investment entrusted by the Group and other wealth management products. The Group's investments in structured entities included in the scope of consolidation include fund products, trust and asset management plans controlled by the Group, which are mainly invested in assets such as various types of bonds and equity investments with third-party repurchase arrangements; as at 31 December 2023, the size of the underlying assets of the Group's above investments in the structured entities included in the scope of consolidation amounted to RMB 159,916 million (as at 31 December 2022: RMB 172,036 million).

(b) Financial Investments measured at amortized cost

|                                                                      | Note | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                                                                      |      | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Government bonds                                                     |      | 583,862             | 563,491             | 583,862             | 563,081             |
| Trust and asset<br>management<br>plans                               |      |                     |                     |                     |                     |
| - Loans                                                              |      | 160,432             | 199,085             | 156,828             | 196,703             |
| - ABS                                                                |      | 124,562             | 191,872             | 124,562             | 191,872             |
| - Others                                                             |      | 993                 | 1,907               | 993                 | 1,907               |
| Bonds issued by<br>policy banks                                      |      | 270,330             | 198,999             | 270,330             | 198,999             |
| Bonds issued by<br>financial<br>institutions                         |      | 50,006              | 31,910              | 50,006              | 31,910              |
| Corporate bonds                                                      |      | 30,812              | 12,381              | 30,767              | 12,333              |
| Deposit certificates<br>issued by other<br>financial<br>institutions |      | 2,602               | 1,656               | 2,154               | 1,656               |
| ABS                                                                  |      | 208                 | 261                 | 86                  | 128                 |
| Other investments                                                    | (1)  | 57,903              | 177                 | -                   | -                   |
| Subtotal                                                             |      | <u>1,281,710</u>    | <u>1,201,739</u>    | <u>1,219,588</u>    | <u>1,198,589</u>    |
| Accrued interest                                                     |      | <u>17,874</u>       | <u>14,424</u>       | <u>17,178</u>       | <u>14,353</u>       |
| Impairment<br>allowance                                              |      |                     |                     |                     |                     |
| -Principal of<br>financial<br>Investments                            |      | (28,345)            | (19,431)            | (28,236)            | (19,752)            |
| -Accrued interest of<br>financial<br>Investments                     |      | (157)               | (41)                | (151)               | (40)                |
| Subtotal of<br>impairment<br>allowance                               |      | <u>(28,502)</u>     | <u>(19,472)</u>     | <u>(28,387)</u>     | <u>(19,792)</u>     |
| Financial<br>Investments at<br>amortized cost,<br>net                |      | <u>1,271,082</u>    | <u>1,196,691</u>    | <u>1,208,379</u>    | <u>1,193,150</u>    |

(1) Other investments mainly consist of investments in structured entities and other debt investments that the Group included in the scope of consolidation. The Group's investments in structured entities included in the scope of consolidation were asset management plans controlled by the Group, which are mainly invested in various types of bonds; as at 31 December 2023, the size of the underlying assets of the Group's above investments in the structured entities included in the scope of consolidation amounted to RMB 57,600 million (as at 31 December 2022: Nil)

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

The Group

|                                                                 | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
|-----------------------------------------------------------------|--------------------------------|---------------------------------|---------------------------------|--------------|
| Balance at 1 January 2023                                       | 2,109                          | 1,081                           | 16,241                          | 19,431       |
| Transfers for the year:                                         |                                |                                 |                                 |              |
| - to stage 1                                                    | 292                            | (292)                           | -                               | -            |
| - to stage 2                                                    | (104)                          | 559                             | (455)                           | -            |
| - to stage 3                                                    | (95)                           | (887)                           | 982                             | -            |
| Net (decrease)/increase for the year                            | (1,241)                        | 590                             | 13,547                          | 12,896       |
| Write-offs and disposals during the year                        | -                              | -                               | (4,035)                         | (4,035)      |
| Recovery of loans and investments written off in previous years | -                              | -                               | 48                              | 48           |
| Others                                                          | 1                              | -                               | 4                               | 5            |
| Balance at 31 December 2023                                     | 962                            | 1,051                           | 26,332                          | 28,345       |

|                             | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
|-----------------------------|--------------------------------|---------------------------------|---------------------------------|--------------|
| 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 during the year  | -                              | -                               | (5,948)                         | (5,948)      |
| Others                      | 2                              | -                               | -                               | 2            |
| Balance at 31 December 2022 | 2,109                          | 1,081                           | 16,241                          | 19,431       |

The Bank

|                                                              | Stage 1<br>12-month ECL | Stage 2<br>Life-time ECL | Stage 3<br>Life-time ECL | Total   |
|--------------------------------------------------------------|-------------------------|--------------------------|--------------------------|---------|
| Balance at 1 January 2023                                    | 2,054                   | 1,056                    | 16,642                   | 19,752  |
| Transfers for the year:                                      |                         |                          |                          |         |
| - to stage 1                                                 | 292                     | (292)                    | -                        | -       |
| - to stage 2                                                 | (104)                   | 559                      | (455)                    | -       |
| - to stage 3                                                 | (52)                    | (861)                    | 913                      | -       |
| Net increase for the year                                    | (1,251)                 | 584                      | 13,133                   | 12,466  |
| Write-offs and disposals during the year                     | -                       | -                        | (4,035)                  | (4,035) |
| Recovery of loans and advances written off in previous years | -                       | -                        | 48                       | 48      |
| Others                                                       | 1                       | -                        | 4                        | 5       |
| Balance at 31 December 2023                                  | 940                     | 1,046                    | 26,250                   | 28,236  |

|                                          | Stage 1<br>12-month ECL | Stage 2<br>Life-time ECL | Stage 3<br>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  |

(c) Financial investments measured at FVOCI

|                                                                   | Note | The Group           |                     | The Bank            |                     |
|-------------------------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                                                                   |      | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Government bonds                                                  |      | 286,412             | 250,527             | 283,385             | 247,212             |
| Corporate bonds                                                   |      | 122,163             | 103,102             | 113,796             | 98,955              |
| Bonds issued by<br>financial<br>institutions                      |      | 82,357              | 84,877              | 82,406              | 84,256              |
| Bonds issued by<br>policy banks                                   |      | 79,886              | 102,645             | 79,886              | 102,645             |
| Deposit certificates<br>issued by other<br>financial institutions |      | 33,438              | 91,035              | 33,438              | 91,035              |
| ABS                                                               |      | 1,566               | 2,700               | 1,566               | 2,700               |
| Repossession equity<br>instruments                                | (1)  | 33,438              | 91,035              | 33,438              | 91,035              |
| Fund trust and<br>Asset<br>management<br>plans                    |      | 20                  | -                   | -                   | -                   |
| Other equity<br>investment                                        | (1)  | 5,164               | 5,170               | 5,164               | 5,170               |
| Subtotal                                                          |      | 617,308             | 642,942             | 605,943             | 634,859             |
| Accrued interest                                                  |      | 7,439               | 6,846               | 7,393               | 6,819               |
| Total                                                             |      | 624,747             | 649,788             | 613,336             | 641,678             |

- (1) The Group and the Bank designated certain equity investments that are not held for trading as financial assets at fair value through other comprehensive income. In 2023, the Group and the Bank recognised dividend income from investments in such equity instruments of RMB 67 million (2022: RMB 121 million). In 2023, the Group and the Bank recognised the accumulated losses of RMB 239 million (2022: recognised the accumulated losses of RMB 45 million) transferred from other comprehensive income to the retained earnings on the disposal of investments in such equity instruments.

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

The Group

|                                      | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
|--------------------------------------|--------------------------------|---------------------------------|---------------------------------|--------------|
| Balance at 1 January 2023            | 590                            | 227                             | 2,921                           | 3,738        |
| Transfers for the year:              |                                |                                 |                                 |              |
| - to stage 1                         | 1                              | (1)                             | -                               | -            |
| - to stage 2                         | (22)                           | 22                              | -                               | -            |
| - to stage 3                         | (27)                           | (126)                           | 153                             | -            |
| Net (decrease)/increase for the year | (118)                          | 92                              | 2,602                           | 2,576        |
| Written-offs                         | -                              | -                               | (366)                           | (366)        |
| Others                               | 4                              | 2                               | 21                              | 27           |
| Balance at 31 December 2023          | 428                            | 216                             | 5,331                           | 5,975        |

|                                      | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
|--------------------------------------|--------------------------------|---------------------------------|---------------------------------|--------------|
| 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 (decrease)/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        |



The Bank

|                                      | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
|--------------------------------------|--------------------------------|---------------------------------|---------------------------------|--------------|
| Balance at 1 January 2023            | 530                            | 193                             | 2,476                           | 3,199        |
| Transfer for the year :              |                                |                                 |                                 |              |
| - to stage 1                         | 1                              | (1)                             | -                               | -            |
| - to stage 2                         | (14)                           | 14                              | -                               | -            |
| - to stage 3                         | -                              | (115)                           | 115                             | -            |
| Net (decrease)/increase for the year | (142)                          | 87                              | 2,530                           | 2,475        |
| Written-offs                         | -                              | -                               | (230)                           | (230)        |
| Others                               | 3                              | 2                               | 14                              | 19           |
| Balance at 31 December 2023          | 378                            | 180                             | 4,905                           | 5,463        |
|                                      | <u>Stage 1</u><br>12-month ECL | <u>Stage 2</u><br>Life-time ECL | <u>Stage 3</u><br>Life-time ECL | <u>Total</u> |
| 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 (decrease)/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        |

15 Investments in associate and joint ventures

|                               | Note      | The Group        |                  | The Bank         |                  |
|-------------------------------|-----------|------------------|------------------|------------------|------------------|
|                               |           | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Investments in joint ventures | III.38(2) | 2,458            | 2,319            | 2,458            | 2,319            |
| Investments in associate      | III.38(2) | 367              | 336              | -                | -                |
| Total                         |           | <u>2,825</u>     | <u>2,655</u>     | <u>2,458</u>     | <u>2,319</u>     |

The Group

|                                        | 1 January 2023 | Increase in Investment | Net income adjusted by equity method | OCI adjusted by equity method | Declared cash dividends | Other changes | 31 December 2023 |
|----------------------------------------|----------------|------------------------|--------------------------------------|-------------------------------|-------------------------|---------------|------------------|
| AXA SPDB Investment Managers Co., Ltd. | 1,286          | -                      | 151                                  | -                             | (51)                    | -             | 1,386            |
| SPDB Silicon Valley Bank               | 1,033          | -                      | 35                                   | (1)                           | -                       | 5             | 1,072            |
| Others                                 | 336            | -                      | 37                                   | -                             | (6)                     | -             | 367              |
| Total                                  | <u>2,655</u>   | <u>-</u>               | <u>223</u>                           | <u>(1)</u>                    | <u>(57)</u>             | <u>5</u>      | <u>2,825</u>     |

|                                        | 1 January 2022 | Decreased Investment | Net income adjusted by equity method | OCI adjusted by equity method | Declared cash dividends | Other changes | 31 December 2022 |
|----------------------------------------|----------------|----------------------|--------------------------------------|-------------------------------|-------------------------|---------------|------------------|
| AXA SPDB Investment Managers Co., Ltd. | 1,519          | (362)                | 175                                  | -                             | (46)                    | -             | 1,286            |
| SPDB Silicon Valley Bank               | 994            | -                    | 23                                   | -                             | -                       | 16            | 1,033            |
| Others                                 | 306            | -                    | 32                                   | -                             | (2)                     | -             | 336              |
| Total                                  | <u>2,819</u>   | <u>(362)</u>         | <u>230</u>                           | <u>-</u>                      | <u>(48)</u>             | <u>16</u>     | <u>2,655</u>     |

The Group and the Bank conduct impairment tests on long-term equity investments, and the recoverable amount is determined based on the present value of the expected future cash flows of the relevant subsidiaries. The expected future cash flows are determined based on financial forecasts approved by the management of the corresponding subsidiaries. The average growth rate, discount rate, and other assumptions used to forecast cash flows all reflect the specific risks associated with them.

## 16 Fixed assets

### The Group

|                                              | Plant and<br>buildings | Motor<br>vehicles | Electronic<br>computers<br>and other<br>equipments | Plane<br>and ship<br>equipments | Total    |
|----------------------------------------------|------------------------|-------------------|----------------------------------------------------|---------------------------------|----------|
| Cost                                         |                        |                   |                                                    |                                 |          |
| 1 January 2022                               | 14,139                 | 449               | 9,809                                              | 23,419                          | 47,816   |
| Additions                                    | 341                    | 25                | 1,482                                              | 3,722                           | 5,570    |
| Transferred from construction<br>in progress | 2,942                  | -                 | 6                                                  | -                               | 2,948    |
| Disposals                                    | (137)                  | (30)              | (580)                                              | -                               | (747)    |
| 31 December 2022                             | 17,285                 | 444               | 10,717                                             | 27,141                          | 55,587   |
| Additions                                    | 1,035                  | 15                | 1,351                                              | 6,156                           | 8,557    |
| Transferred from construction<br>in progress | 3,274                  | -                 | 9                                                  | -                               | 3,283    |
| Disposals                                    | (126)                  | (23)              | (663)                                              | -                               | (812)    |
| 31 December 2023                             | 21,468                 | 436               | 11,414                                             | 33,297                          | 66,615   |
| Accumulated depreciation                     |                        |                   |                                                    |                                 |          |
| 1 January 2022                               | (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) |
| Charge                                       | (625)                  | (27)              | (1,367)                                            | (1,500)                         | (3,519)  |
| Disposal                                     | 43                     | 21                | 616                                                | -                               | 680      |
| 31 December 2023                             | (6,174)                | (356)             | (8,107)                                            | (6,632)                         | (21,269) |
| Impairment allowance                         |                        |                   |                                                    |                                 |          |
| 1 January 2022                               | -                      | -                 | -                                                  | -                               | -        |
| Charge                                       | -                      | -                 | -                                                  | -                               | -        |
| 31 December 2022                             | -                      | -                 | -                                                  | -                               | -        |
| Charge                                       | -                      | -                 | -                                                  | (38)                            | (38)     |
| 31 December 2023                             | -                      | -                 | -                                                  | (38)                            | (38)     |
| Net book value                               |                        |                   |                                                    |                                 |          |
| 31 December 2023                             | 15,294                 | 80                | 3,307                                              | 26,627                          | 45,308   |
| 31 December 2022                             | 11,693                 | 94                | 3,361                                              | 22,009                          | 37,157   |

## The Bank

|                                            | Plant and<br>buildings | Motor<br>vehicles | Electronic<br>computers<br>and other<br>equipments | Total    |
|--------------------------------------------|------------------------|-------------------|----------------------------------------------------|----------|
| Cost                                       |                        |                   |                                                    |          |
| 1 January 2022                             | 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   |
| Additions                                  | 1,035                  | 12                | 1,314                                              | 2,361    |
| Transferred from constructions in progress | 3,274                  | -                 | 9                                                  | 3,283    |
| Disposals                                  | (108)                  | (19)              | (594)                                              | (721)    |
| 31 December 2023                           | 21,002                 | 406               | 11,131                                             | 32,539   |
| Accumulated                                |                        |                   |                                                    |          |
| 1 January 2022                             | (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) |
| Charge                                     | (613)                  | (24)              | (1,345)                                            | (1,982)  |
| Disposals                                  | 43                     | 17                | 564                                                | 624      |
| 31 December 2023                           | (6,025)                | (332)             | (7,896)                                            | (14,253) |
| Net book value                             |                        |                   |                                                    |          |
| 31 December 2023                           | 14,977                 | 74                | 3,235                                              | 18,286   |
| 31 December 2022                           | 11,346                 | 88                | 3,287                                              | 14,721   |

As at 31 December 2023, the plant and buildings with original cost of RMB 5,351 million (2022: RMB 1,215 million) and net book value of RMB 5,137 million (2022: RMB 1,126 million) were in use by the Group and the Bank while the property right registration were still in progress.

The Group regularly performs impairment testing on certain fixed assets leased out under operating leases. If the results of the impairment testing indicate that the recoverable amount of an asset is less than its carrying amount, a provision for impairment is made in accordance with the differences and recognised in impairment losses. The recoverable amount of an asset is the higher of its fair value less costs to sell and its present value of expected future cash flows. The management obtained the value of the assets at the end of the lease term from a professional evaluation authority, the costs of disposal include legal costs, related taxes and etc. In calculating the present value of the expected future cash flows from the assets, the management uses the rental amount agreed in the lease contract and the value of the assets at the end of the lease term as the basis for the estimate of future cash flows and selects an appropriate discount rate to determine the present value of the future cash flows, as well as estimating the future cash flows under different scenarios for certain lessees. Except for certain fixed assets leased out under operating leases as mentioned above, there were no significant indications of impairment of the Group's other fixed assets at the end of 2023 and 2022.

## 17 Lease

### (1) Right-of-use assets

#### The Group

|                          | <u>Plant &amp; buildings</u> | <u>Equipments &amp; other</u> | <u>Total</u> |
|--------------------------|------------------------------|-------------------------------|--------------|
| Cost                     |                              |                               |              |
| 1 January 2022           | 16,859                       | 138                           | 16,997       |
| Additions                | 2,522                        | 33                            | 2,555        |
| Disposals                | (2,383)                      | (19)                          | (2,402)      |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2022         | 16,998                       | 152                           | 17,150       |
| Additions                | 2,196                        | 10                            | 2,206        |
| Disposals                | (2,930)                      | (25)                          | (2,955)      |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2023         | 16,264                       | 137                           | 16,401       |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| Accumulated amortisation |                              |                               |              |
| 1 January 2022           | (8,365)                      | (72)                          | (8,437)      |
| Additions                | (2,919)                      | (29)                          | (2,948)      |
| Disposals                | 2,238                        | 19                            | 2,257        |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2022         | (9,046)                      | (82)                          | (9,128)      |
| Additions                | (2,896)                      | (27)                          | (2,923)      |
| Disposals                | 2,776                        | 24                            | 2,800        |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2023         | (9,166)                      | (85)                          | (9,251)      |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| Net book value           |                              |                               |              |
| 31 December 2023         | 7,098                        | 52                            | 7,150        |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2022         | 7,952                        | 70                            | 8,022        |
|                          | <hr/>                        | <hr/>                         | <hr/>        |

## The Bank

|                          | <u>Plant &amp; buildings</u> | <u>Equipments &amp; other</u> | <u>Total</u> |
|--------------------------|------------------------------|-------------------------------|--------------|
| Cost                     |                              |                               |              |
| 1 January 2022           | 16,114                       | 138                           | 16,252       |
| Additions                | 2,322                        | 33                            | 2,355        |
| Disposals                | (2,313)                      | (19)                          | (2,332)      |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2022         | 16,123                       | 152                           | 16,275       |
| Additions                | 2,121                        | 10                            | 2,131        |
| Disposals                | (2,861)                      | (25)                          | (2,886)      |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2023         | 15,383                       | 137                           | 15,520       |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| Accumulated amortisation |                              |                               |              |
| 1 January 2022           | (8,062)                      | (72)                          | (8,134)      |
| Additions                | (2,795)                      | (29)                          | (2,824)      |
| Disposals                | 2,159                        | 19                            | 2,178        |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2022         | (8,698)                      | (82)                          | (8,780)      |
| Additions                | (2,777)                      | (27)                          | (2,804)      |
| Disposals                | 2,756                        | 24                            | 2,780        |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2023         | (8,719)                      | (85)                          | (8,804)      |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| Net book value           |                              |                               |              |
| 31 December 2023         | 6,664                        | 52                            | 6,716        |
|                          | <hr/>                        | <hr/>                         | <hr/>        |
| 31 December 2022         | 7,425                        | 70                            | 7,495        |
|                          | <hr/>                        | <hr/>                         | <hr/>        |

(2) Lease liabilities

The analysis by remaining maturity date as follows:

The Group

|                                             | <u>31 December 2023</u> | <u>31 December 2022</u> |
|---------------------------------------------|-------------------------|-------------------------|
| Within 3 months                             | 760                     | 782                     |
| 3 months to 1 year                          | 1,967                   | 2,075                   |
| 1 year to 5 years                           | 4,285                   | 5,058                   |
| More than 5 years                           | 252                     | 442                     |
| Total undiscounted lease liabilities        | 7,264                   | 8,357                   |
| Book value of lease liabilities at year-end | 6,871                   | 7,832                   |

The Bank

|                                             | <u>31 December 2023</u> | <u>31 December 2022</u> |
|---------------------------------------------|-------------------------|-------------------------|
| Within 3 months                             | 714                     | 738                     |
| 3 months to 1 year                          | 1,875                   | 1,965                   |
| 1 year to 5 years                           | 4,033                   | 4,767                   |
| More than 5 years                           | 174                     | 324                     |
| Total undiscounted lease liabilities        | 6,796                   | 7,794                   |
| Book value of lease liabilities at year-end | 6,423                   | 7,293                   |

## 18 Intangible assets

### The Group

|                             | Land use<br>rights | Software<br>and others | Brand and<br>franchise right | Total    |
|-----------------------------|--------------------|------------------------|------------------------------|----------|
| Cost                        |                    |                        |                              |          |
| 1 January 2022              | 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   |
| Additions                   | -                  | 1,091                  | -                            | 1,091    |
| Disposals                   | -                  | (127)                  | -                            | (127)    |
| 31 December 2023            | 6,800              | 11,044                 | 2,236                        | 20,080   |
| Accumulated<br>amortisation |                    |                        |                              |          |
| 1 January 2022              | (800)              | (6,324)                | -                            | (7,124)  |
| Amortization                | (174)              | (1,470)                | -                            | (1,644)  |
| Disposals                   | -                  | 1                      | -                            | 1        |
| 31 December 2022            | (974)              | (7,793)                | -                            | (8,767)  |
| Amortization                | (174)              | (1,451)                | -                            | (1,625)  |
| Disposals                   | -                  | 79                     | -                            | 79       |
| 31 December 2023            | (1,148)            | (9,165)                | -                            | (10,313) |
| Net book value              |                    |                        |                              |          |
| 31 December 2023            | 5,652              | 1,879                  | 2,236                        | 9,767    |
| 31 December 2022            | 5,826              | 2,287                  | 2,236                        | 10,349   |

In 2023, the Group performed an impairment testing for the brand and franchise rights (with indefinite useful lives) of Shanghai International Trust Co., Ltd. ("Shanghai International Trust"), and concluded that no provisions for impairment were required. In the impairment testing, the recoverable amount is determined by reference to its fair value less costs of disposal. The management selected comparable company cases and evaluated the fair value of such brands and franchise rights with a price to book value ratio method, and corrected the price to book value ratio according to specific risk factors.



The Bank

|                          | <u>Land use rights</u> | <u>Software and others</u> | <u>Total</u> |
|--------------------------|------------------------|----------------------------|--------------|
| Cost                     |                        |                            |              |
| 1 January 2022           | 6,797                  | 7,791                      | 14,588       |
| Additions                | -                      | 1,414                      | 1,414        |
| Disposals                | -                      | (1)                        | (1)          |
| 31 December 2022         | 6,797                  | 9,204                      | 16,001       |
| Additions                | -                      | 1,039                      | 1,039        |
| Disposals                | -                      | (2)                        | (2)          |
| 31 December 2023         | 6,797                  | 10,241                     | 17,038       |
| Accumulated amortisation |                        |                            |              |
| 1 January 2022           | (800)                  | (5,549)                    | (6,349)      |
| Amortization             | (173)                  | (1,444)                    | (1,617)      |
| Disposals                | -                      | 1                          | 1            |
| 31 December 2022         | (973)                  | (6,992)                    | (7,965)      |
| Amortization             | (173)                  | (1,438)                    | (1,611)      |
| Disposals                | -                      | 2                          | 2            |
| 31 December 2023         | (1,146)                | (8,428)                    | (9,574)      |
| Net book value           |                        |                            |              |
| 31 December 2023         | 5,651                  | 1,813                      | 7,464        |
| 31 December 2022         | 5,824                  | 2,212                      | 8,036        |

19 Goodwill

|                                                                             | <u>31 December 2023</u> | <u>31 December 2022</u> |
|-----------------------------------------------------------------------------|-------------------------|-------------------------|
| Goodwill                                                                    |                         |                         |
| -Shanghai International Trust Co., Ltd.<br>("Shanghai International Trust") | 5,351                   | 6,981                   |
| Less: impairment allowances                                                 | -                       | -                       |
| Total                                                                       | 5,351                   | 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 transaction date according to operating segments are summarised as follows:

|                                                | 31 December<br>2023 | 31 December<br>2022 |
|------------------------------------------------|---------------------|---------------------|
| Shanghai International Trust                   | 4,739               | 4,739               |
| Subsidiaries of Shanghai International Trust   |                     |                     |
| - China International Fund Management Co., Ltd |                     |                     |
| ("China International Fund Management")        | -                   | 1,630               |
| - Others                                       | 612                 | 612                 |
| Total                                          | 5,351               | 6,981               |

(1) Asset groups or asset group combinations related to goodwill

It mainly represents the Shanghai International Trust asset group and the asset group of Shanghai International Trust's related subsidiaries. At the end of 2023, the cash flows of the above asset groups were basically independent of cash inflows generated by other assets or asset groups, and belonged to the trust business segment, monetary brokerage segment and investment management segment respectively.

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"). Shanghai Trust held 51% of the shares and JPMorgan Asset 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 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 was delisted with no less than RMB 7 billion. As at the balance sheet date, Shanghai International Trust has completed the equity transaction of China International Fund Management with JPMorgan Asset, and the goodwill originally allocated by the Group to China International Fund Management have been transferred out.

The cash consideration acquired from the disposal of the China International Fund Management asset group has been obtained by the Shanghai International Trust asset group, and the carrying amount of the Shanghai International Trust asset group has been simultaneously increased. Save as set out above, there were no changes in other asset groups to which the Group's goodwill belonged during the year.

(2) Method used to determine the recoverable amount:

As at the balance sheet date, the recoverable amount of the Shanghai International Trust asset group was determined by reference to its fair value less costs of disposal.

| Item                         | Carrying amount | Recoverable amount | Impairment amount | The method used to determine the fair value and the cost of disposal                                 | Key parameters                                     | Basis for determining the key parameters                                                                            |
|------------------------------|-----------------|--------------------|-------------------|------------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| Shanghai International Trust | 29,516          | 38,718             | -                 | Use the comparable transaction method to determine fair value and consider related costs of disposal | Price-to-book ratio (P/B) (1.4 times to 2.1 times) | Determine based on the comparable trading P/B multiples and adjust the P/B in accordance with specific risk factors |

As at the balance sheet date, the recoverable amount of the asset group of Shanghai International Trust's related subsidiaries was determined by reference to the present value of expected future cash flows. Key parameters used to calculate the present value of future cash flows include revenue growth rate, EBITDA margin, gross margin, pre-tax discount rate, etc. The Group comprehensively determines the revenue growth rate, EBITDA margin and gross margin for the five-year forecast period based on historical experience and market development, and on the basis of the realised financial performance in the year prior to the forecast period, taking into account the expected limitations on the scope of the future operations as well as the level of the related expenses; the Group determines the revenue growth rate for the future stable period based on the level of long-term inflation rate for the PRC economy, and the EBITDA margin and gross margin for the stable period based on the forecast level for the last period of the forecast period; the pre-tax discount rate reflects the risks specific to the future cash flows of the underlying asset group. As at the balance sheet date, the recoverable amount of the asset group of Shanghai International Trust's related subsidiaries was higher than the carrying amount, no impairment was recognised.

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 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Deferred income tax assets      | <u>71,598</u>    | <u>68,690</u>    | <u>69,250</u>    | <u>66,867</u>    |
| Deferred income tax liabilities | <u>(1,014)</u>   | <u>(641)</u>     | <u>-</u>         | <u>-</u>         |

20.2 Deferred income tax assets and liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

The Group

|                                                                | 31 December 2023                                     |                                                    | 31 December 2022                                     |                                                    |
|----------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
|                                                                | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) |
| Impairment allowances for financial assets                     | 271,862                                              | 67,957                                             | 250,428                                              | 62,606                                             |
| Fair value changes of derivative financial instruments         | 52,293                                               | 13,073                                             | 37,528                                               | 9,382                                              |
| Fair value changes of assets measured at FVOCI                 | 8,829                                                | 2,138                                              | 12,639                                               | 3,160                                              |
| Employee benefits payable                                      | 8,435                                                | 2,109                                              | 9,128                                                | 2,282                                              |
| Provisions                                                     | 7,753                                                | 1,938                                              | 6,230                                                | 1,558                                              |
| Fair value changes of assets and liabilities measured at FVTPL | 2,817                                                | 705                                                | 1,744                                                | 436                                                |
| Fair value changes of precious metals                          | 123                                                  | 31                                                 | 3,237                                                | 809                                                |
| Others                                                         | 12,885                                               | 3,220                                              | 14,565                                               | 3,643                                              |
| Subtotal                                                       | 364,997                                              | 91,171                                             | 335,499                                              | 83,876                                             |
| Offset amounts                                                 |                                                      | (19,573)                                           |                                                      | (15,186)                                           |
| Deferred income tax assets after offsetting                    |                                                      | 71,598                                             |                                                      | 68,690                                             |

|                                                                                                                                                       | 31 December 2023                                     |                                                    | 31 December 2022                                     |                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
|                                                                                                                                                       | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) |
| Fair value changes of derivative financial instruments                                                                                                | (56,311)                                             | (14,077)                                           | (42,770)                                             | (10,693)                                           |
| Fair value changes of assets and liabilities measured at FVTPL                                                                                        | (11,520)                                             | (2,880)                                            | (5,598)                                              | (1,400)                                            |
| Fair value changes of financial investment measured at FVOCI                                                                                          | (4,127)                                              | (1,032)                                            | (3,818)                                              | (955)                                              |
| Differences between fair value and carrying amount of identifiable net assets arising from business combinations of entities not under common control | (2,441)                                              | (610)                                              | (2,460)                                              | (615)                                              |
| Fair value changes of precious metals                                                                                                                 | (1,203)                                              | (301)                                              | (517)                                                | (129)                                              |
| Others                                                                                                                                                | (6,749)                                              | (1,687)                                            | (8,139)                                              | (2,035)                                            |
| Subtotal                                                                                                                                              | (82,351)                                             | (20,587)                                           | (63,302)                                             | (15,827)                                           |
| Offset amounts                                                                                                                                        |                                                      | 19,573                                             |                                                      | 15,186                                             |
| Deferred tax liabilities after offsetting                                                                                                             |                                                      | (1,014)                                            |                                                      | (641)                                              |

## The Bank

|                                                                   | 31 December 2023                                     |                                                    | 31 December 2022                                     |                                                    |
|-------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
|                                                                   | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) |
| Impairment allowances for<br>financial assets                     | 265,863                                              | 66,466                                             | 245,518                                              | 61,379                                             |
| Fair value changes of derivative<br>financial instruments         | 52,260                                               | 13,065                                             | 37,525                                               | 9,381                                              |
| Fair value changes of assets<br>measured at FVOCI                 | 8,017                                                | 2,004                                              | 11,955                                               | 2,989                                              |
| Provision                                                         | 7,753                                                | 1,938                                              | 6,228                                                | 1,557                                              |
| Employee benefits payable                                         | 6,878                                                | 1,719                                              | 7,624                                                | 1,906                                              |
| Fair value changes of assets and<br>liabilities measured at FVTPL | 2,659                                                | 665                                                | 2,256                                                | 564                                                |
| Fair value changes of precious<br>metals                          | 123                                                  | 31                                                 | 3,233                                                | 808                                                |
| Others                                                            | 11,659                                               | 2,916                                              | 13,342                                               | 3,337                                              |
| Subtotal                                                          | 355,212                                              | 88,804                                             | 327,681                                              | 81,921                                             |
| Offset amounts                                                    |                                                      | (19,554)                                           |                                                      | (15,054)                                           |
| Deferred income tax assets after<br>offsetting                    |                                                      | 69,250                                             |                                                      | 66,867                                             |

|                                                                   | 31 December 2023                                     |                                                    | 31 December 2022                                     |                                                    |
|-------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
|                                                                   | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>income tax<br>assets/<br>(liabilities) |
| Fair value changes of derivative<br>financial instruments         | (56,265)                                             | (14,066)                                           | (42,770)                                             | (10,693)                                           |
| Fair value changes of assets and<br>liabilities measured at FVTPL | (9,928)                                              | (2,482)                                            | (5,598)                                              | (1,400)                                            |
| Fair value changes of financial<br>investment measured at FVOCI   | (4,102)                                              | (1,026)                                            | (3,818)                                              | (955)                                              |
| Fair value changes of precious<br>metals                          | (1,203)                                              | (301)                                              | (517)                                                | (129)                                              |
| Others                                                            | (6,716)                                              | (1,679)                                            | (7,508)                                              | (1,877)                                            |
| Subtotal                                                          | (78,214)                                             | (19,554)                                           | (60,211)                                             | (15,054)                                           |
| Offset amounts                                                    |                                                      | 19,554                                             |                                                      | 15,054                                             |
| Deferred tax liabilities after offsetting                         |                                                      | -                                                  |                                                      | -                                                  |

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

|                                       | Note   | The Group     |               | The Bank      |               |
|---------------------------------------|--------|---------------|---------------|---------------|---------------|
|                                       |        | 2023          | 2022          | 2023          | 2022          |
| Balance at the beginning of the year  |        | 68,049        | 58,324        | 66,867        | 57,542        |
| Charged to profit or loss             | III.7  | 4,198         | 7,712         | 4,006         | 7,381         |
| Charged to other comprehensive income | III.34 | (1,663)       | 2,013         | (1,623)       | 1,944         |
| Balance at the end of the year        |        | <u>70,584</u> | <u>68,049</u> | <u>69,250</u> | <u>66,867</u> |

21 Other assets

|                                                  | The Group        |                  | The Bank         |                  |
|--------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                  | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Margin deposits                                  | 21,483           | 14,403           | 21,483           | 14,403           |
| Suspense accounts                                | 21,443           | 25,423           | 21,004           | 25,417           |
| Other receivables                                | 14,360           | 11,400           | 13,066           | 9,298            |
| Interest receivable                              | 3,622            | 3,787            | 3,621            | 3,784            |
| Prepayment for land-use rights and constructions | 3,115            | 4,654            | 1,101            | 1,675            |
| Long-term deferred expenses                      | 1,488            | 1,398            | 1,414            | 1,335            |
| Payments to Trust Protection Fund                | 872              | 1,520            | -                | -                |
| Reposessed assets                                | 448              | 444              | 361              | 374              |
| Others                                           | 2,635            | 1,785            | 1,621            | 969              |
| Total                                            | <u>69,466</u>    | <u>64,814</u>    | <u>63,671</u>    | <u>57,255</u>    |

## 22 Deposits and placements from banks and other financial institutions

|                                                          | The Group           |                     | The Bank            |                     |
|----------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                          | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Deposits from domestic banks                             | 197,810             | 198,159             | 204,861             | 205,763             |
| Deposits from overseas banks                             | 2,393               | 3,220               | 2,393               | 3,220               |
| Deposits from domestic non-bank financial institutions   | 770,439             | 551,064             | 773,728             | 555,781             |
| Deposits from overseas non-bank financial institutions   | 16,028              | 15,603              | 16,743              | 15,993              |
| Placements from domestic banks                           | 262,430             | 280,294             | 168,802             | 204,796             |
| Placements from overseas banks                           | 38,847              | 56,443              | 29,757              | 48,047              |
| Placements from domestic non-bank financial institutions | 600                 | 3,596               | 600                 | 200                 |
| Accrued interest                                         | 5,162               | 2,964               | 4,794               | 2,705               |
| Total                                                    | <u>1,293,709</u>    | <u>1,111,343</u>    | <u>1,201,678</u>    | <u>1,036,505</u>    |

## 23 Financial liabilities measured at FVTPL

| Note                                                                  | The Group           |                     | The Bank            |                     |
|-----------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                       | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Financial liabilities related to short selling of bonds               | 7,750               | 3,099               | 7,750               | 3,099               |
| Interest of other unitholders in consolidated structured entities (1) | 2,338               | 7,005               | -                   | -                   |
| Financial liabilities related to precious metals                      | 119                 | 134                 | 119                 | 134                 |
| Total                                                                 | <u>10,207</u>       | <u>10,238</u>       | <u>7,869</u>        | <u>3,233</u>        |

- (1) The Group designated interests attributable to other unit holders in consolidated structured entities as financial liabilities measured at FVTPL. As at 31 December 2023 and 31 December 2022, 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<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Bonds                                                             | 427,511             | 242,281             | 361,394             | 200,109             |
| Discounted bills                                                  | 87,381              | 104,743             | 87,381              | 104,743             |
| Deposit certificates issued<br>by other financial<br>institutions | 4,637               | 3,047               | -                   | -                   |
| Accrued interest                                                  | 255                 | 97                  | 255                 | 97                  |
| Total                                                             | 519,784             | 350,168             | 449,030             | 304,949             |

25 Deposits from customers

|                  | The Group           |                     | The Bank            |                     |
|------------------|---------------------|---------------------|---------------------|---------------------|
|                  | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Current deposits |                     |                     |                     |                     |
| -Corporate       | 1,813,631           | 1,656,442           | 1,808,067           | 1,649,899           |
| -Retail          | 354,015             | 413,721             | 351,177             | 410,761             |
| Time deposits    |                     |                     |                     |                     |
| -Corporate       | 1,765,364           | 1,836,412           | 1,761,829           | 1,833,261           |
| -Retail          | 1,049,278           | 917,007             | 1,029,042           | 898,395             |
| Other deposits   | 2,342               | 2,896               | 2,328               | 2,828               |
| Subtotal         | 4,984,630           | 4,826,478           | 4,952,443           | 4,795,144           |
| Accrued interest | 75,714              | 67,334              | 74,702              | 66,213              |
| Total            | 5,060,344           | 4,893,812           | 5,027,145           | 4,861,357           |



## 26 Debt securities issued

|                                                                | Note | The Group        |                  | The Bank         |                  |
|----------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                                                |      | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| Interbank deposit certificates and deposit certificates issued | (1)  | 636,053          | 887,197          | 636,053          | 887,197          |
| Bonds issued                                                   |      |                  |                  |                  |                  |
| 2018 Tier II First Financial Bond                              | (2)  | -                | 20,000           | -                | 20,000           |
| 2018 Tier II Second Financial Bond                             | (3)  | -                | 20,000           | -                | 20,000           |
| 2020 Tier II First Financial bond                              | (4)  | 32,000           | 32,000           | 32,000           | 32,000           |
| 2020 Tier II Second Financial Bond                             | (5)  | 8,000            | 8,000            | 8,000            | 8,000            |
| 2020 Tier II Third Financial Bond                              | (6)  | 30,000           | 30,000           | 30,000           | 30,000           |
| 2020 Tier II Fourth Financial Bond                             | (7)  | 10,000           | 10,000           | 10,000           | 10,000           |
| 2020 First Financial Bond                                      | (8)  | -                | 50,000           | -                | 50,000           |
| 2021 First Financial Bond                                      | (9)  | 60,000           | 60,000           | 60,000           | 60,000           |
| 2021 Second Financial Bond                                     | (10) | 40,000           | 40,000           | 40,000           | 40,000           |
| 2022 First Financial Bond (Variety I)                          | (11) | 25,000           | 25,000           | 25,000           | 25,000           |
| 2022 First Financial Bond (Variety II)                         | (11) | 5,000            | 5,000            | 5,000            | 5,000            |
| 2022 Third Financial Bond                                      | (12) | 30,000           | 30,000           | 30,000           | 30,000           |
| 2022 Fourth Financial Bond                                     | (13) | 30,000           | 30,000           | 30,000           | 30,000           |
| 2023 Green Financial Bond                                      | (14) | 30,000           | -                | 30,000           | -                |
| Hong Kong medium-term note                                     | (15) | 4,964            | 10,122           | 4,964            | 10,122           |
| Singapore medium-term note                                     | (16) | 2,128            | 2,085            | 2,128            | 2,085            |
| London medium-term note                                        | (17) | 2,837            | 2,781            | 2,837            | 2,781            |
| SPDB Convertible corporate bonds                               | (18) | 49,998           | 49,998           | 49,998           | 49,998           |
| 2020 Tier II SPDB Financial Leasing Financial Bond             | (19) | 1,100            | 1,100            | -                | -                |
| 2020 SPDB Financial Leasing Financial Bond                     | (20) | -                | 2,800            | -                | -                |
| 2021 SPDB Financial Leasing Financial Green Bond               | (21) | 3,000            | 3,000            | -                | -                |
| 2021 First SPDB Financial Leasing Financial Bond               | (22) | 2,000            | 2,000            | -                | -                |
| 2022 First SPDB Financial Leasing Financial Bond               | (23) | 1,450            | 1,450            | -                | -                |
| Subtotal                                                       |      | 367,477          | 435,336          | 359,927          | 424,986          |
| Add: Unamortized issue cost and others                         |      | 2,462            | 1,532            | 2,468            | 1,546            |
| Debt securities issued                                         |      | 369,939          | 436,868          | 362,395          | 426,532          |
| Accrued interest                                               |      | 5,661            | 6,239            | 5,562            | 6,127            |
| Total                                                          |      | 1,011,653        | 1,330,304        | 1,004,010        | 1,319,856        |

- (1) As at 31 December 2023, the Group issued a total of 181 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 2.00% to 2.76% (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%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2023, the number of deposit certificates publicly issued but not yet expired were 112 in total, with the longest term to maturity being 365 days and interest rates falling within a range from 0% to 5.90% (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%).

- (2) 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. 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 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. The Bank has already redeemed the entire portion of bond.
- (4) 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.
- (5) 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.

- (6) 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.
- (7) 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.
- (8) 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%. As at 31 December 2023, the Bank has completed the redemption.
- (9) 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%.
- (10) 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%.
- (11) 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%.
- (12) 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%.
- (13) 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%.
- (14) The Bank issued “2023 First Green Financial Bond” in the amount of RMB 30 billion in the domestic inter-bank market on 24 March 2023 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.79%.
- (15) The Bank issued USD 500 million medium-term note in Hong Kong Stock Exchange on 27 July 2020 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS. The Bank simultaneously issued HK 2 billion medium-term notes and US 700 million medium-term notes in Hong Kong Stock Exchange on 13 July 2021 which has the term of 2 years and 3 years respectively, and the coupon rate is 0.600% of the fixed interest rate and 0.875% of the fixed interest rate respectively. As at 31 December 2023, the Bank has completed the redemption of medium-term notes with a total amount of 500 million US dollars and 2 billion Hong Kong dollars.

- (16) Thw Bank issued medium-term 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.
- (17) 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.
- (18) 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 2023, a total of RMB 1,412,000 covertible corporate bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 96,451, 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:

|                                    | <u>Liability</u> | <u>Equity<br/>(Note III.30)</u> | <u>Total</u>  |
|------------------------------------|------------------|---------------------------------|---------------|
| 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     | 4,588            | -                               | 4,588         |
| Converted bonds in the prior years | (2)              | -                               | (2)           |
| Balance at 1 January 2023          | 51,722           | 2,782                           | 54,504        |
| Amortisation in the current period | 858              | -                               | 858           |
| Balance at 31 December 2023        | <u>52,580</u>    | <u>2,782</u>                    | <u>55,362</u> |

- (19) 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.
- (20) 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%. The actual issuance of the Group was RMB 2.8 billion. As at 31 December 2023, SPDB Financial Leasing Co.,Ltd. has completed the redemption.
- (21) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2021 Green Finance Bonds” in the amount of RMB 3 billion in the domestic inter-bank market on 6 July 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.38%.
- (22) 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%.

(23) 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 2023, the actual issuance of the Group was RMB 1.45 billion.

(24) As of the balance sheet date, the Group has not defaulted on any of its issued debt securities.

## 27 Provisions

|                                                                          | The Group           |                     | The Bank            |                     |
|--------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                          | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Impairment allowance for<br>financial guarantees<br>and loan commitments | 7,726               | 6,229               | 7,726               | 6,227               |
| Pending litigation losses                                                | 27                  | -                   | 27                  | -                   |
| Others                                                                   | -                   | 1                   | -                   | 1                   |
| Total                                                                    | 7,753               | 6,230               | 7,753               | 6,228               |

## 28 Other liabilities

|                                                               | The Group           |                     | The Bank            |                     |
|---------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                               | 31 December<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| Suspense accounts                                             | 21,347              | 25,634              | 21,347              | 25,628              |
| Employee benefits<br>payable                                  | 13,879              | 12,672              | 12,067              | 10,764              |
| Advance from<br>performance<br>deposits and other<br>deposits | 3,624               | 3,175               | 993                 | 217                 |
| VAT and other taxes<br>payable                                | 3,306               | 4,923               | 2,868               | 4,366               |
| Contract liabilities                                          | 2,649               | 3,238               | 2,130               | 2,690               |
| Accrued expenses                                              | 2,022               | 2,414               | 1,965               | 2,402               |
| Dividend payable                                              | 42                  | 42                  | 36                  | 38                  |
| Others                                                        | 6,826               | 5,261               | 2,190               | 2,029               |
| Total                                                         | 53,695              | 57,359              | 43,596              | 48,134              |

## 29 Share capital

### The Group and the Bank

|                                               | 31 December<br>2023 | 31 December<br>2022 |
|-----------------------------------------------|---------------------|---------------------|
| Domestic listed RMB ordinary share (A shares) | 29,352              | 29,352              |

A shares issued by the Bank are all ordinary share, with par value of RMB 1 per share. All shares rank pari passu in all respects with each other.

## 30 Other equity instrument

|                                                                                                                  | Note | 31 December<br>2023 | 31 December<br>2022 |
|------------------------------------------------------------------------------------------------------------------|------|---------------------|---------------------|
| Other equity instruments included in the tier 1 capital of the Bank-Equity of SPDB - convertible corporate bonds | (1)  | 2,782               | 2,782               |
| Other equity instruments included in other tier 1 capital of the Bank                                            | (2)  | 109,909             | 109,909             |
| Total                                                                                                            |      | 112,691             | 112,691             |

(1) As at 31 December 2023, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2022: RMB 2,782 million), see Note III. 26(18) for specific information.

(2) Other equity instruments included in other tier 1 capital of the Bank

| Name of other equity instruments outstanding  | Dividend rate                                                     | Issuance Price (RMB) | Number      | Opening amount | Movements during the year | Closing amount | Maturity date or renewals | Conversion (Yes/No) |
|-----------------------------------------------|-------------------------------------------------------------------|----------------------|-------------|----------------|---------------------------|----------------|---------------------------|---------------------|
| Jiangyinyou 1(a)                              | 6% for the first five years;<br>5.58% for the second five years   | 100                  | 150 million | 15,000         | -                         | 15,000         | No maturity date          | No                  |
| Jiangyinyou 2(a)                              | 5.5% for the first five years;<br>4.81% for the second five years | 100                  | 150 million | 15,000         | -                         | 15,000         | No maturity date          | No                  |
| 19 SPDB Capital bonds with unfixed termss (b) | 4.73% for the first five years                                    | 100                  | 300 million | 30,000         | -                         | 30,000         | No maturity date          | No                  |
| 20 SPDB Capital bonds with unfixed termss (b) | 4.75% for the first five years                                    | 100                  | 500 million | 50,000         | -                         | 50,000         | No maturity date          | No                  |
| Less: Issue expenses                          |                                                                   |                      |             | (91)           | -                         | (91)           |                           |                     |
| Carrying amount                               |                                                                   |                      |             | 109,909        | -                         | 109,909        |                           |                     |

- (a) On 28 November 2014 and 6 March 2015, the Bank issued non-cumulative preference shares with a total par value of RMB 30 billion. The proceeds after deducting transaction costs amounted to RMB 29.92 billion and were recorded as other equity instruments. The Bank has the option to redeem part or all outstanding preference shares on any dividend payment date after five years from the issuance if certain conditions are met, under the approval obtained from the regulatory authorities. 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 regulatory authorities, 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 bond of the Shanghai Pudong Development Bank Co., Ltd." (RMB 50 billion) in the inter-bank market on July 2019 and November 2020 respectively, which were all accounted for as other equity instruments after deducting issuance expenses. The duration of this Perpetual bond was consistent with the duration of the Bank's continuing operations. The Bank shall have the right to redeem the Perpetual 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 regulatory authorities, and the bond investors have no right to request the Bank to redeem the capital bonds with unfixed terms. The Bank shall have the right to cancel, in whole or in part, distributions on the Perpetual bond.

Pursuant to applicable laws and regulations and the “China Banking and Insurance Regulatory Commission's Reply on the Issuance of Unfixed-Term Capital Bonds by SPDB” ([2019] No. 596) and the “China Banking and Insurance Regulatory Commission's Reply on the Issuance of Unfixed-Term Capital Bonds by SPDB” (Yinbao Jianfu [2020] No. 595), the funds raised from Perpetual bond are used to supplement other Tier 1 capital of the Bank.

The compensation order of the Perpetual bond is behind of depositors, general creditors and subordinated debts that are prior than the capital bonds with unfixed terms, and ahead of all types of shares held by shareholders of the Bank; the Perpetual bond will be compensated in the same order with other Tier 1 capital instruments which have the same compensation order.

As for the “2019 Perpetual 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 regulatory authorities 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 regulatory authorities 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 occur, 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) regulatory authorities 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<br>2023 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2022 |
| 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(18), with the approval of the regulatory authorities and other relevant institutions, the Bank publicly issued A-share convertible corporate bonds with a face value of RMB 50 billion in 2019. As of December 31, 2023, about RMB 1,412,000 of convertible corporate bonds had been converted into A-share ordinary shares, accumulatively increasing the bank's share capital to 96,451 shares, and increasing the Bank's share capital premium accordingly.

### 32 Surplus reserves

#### The Group and The Bank

|                       | 1 January<br><u>2023</u> | <u>Addition</u> | 31 December<br><u>2023</u> |
|-----------------------|--------------------------|-----------------|----------------------------|
| Statutory reserve     | 22,206                   | -               | 22,206                     |
| Discretionary reserve | 152,179                  | 14,544          | 166,723                    |
| Total                 | 174,385                  | 14,544          | 188,929                    |

|                       | 1 January<br><u>2022</u> | <u>Addition</u> | 31 December<br><u>2022</u> |
|-----------------------|--------------------------|-----------------|----------------------------|
| Statutory reserve     | 22,206                   | -               | 22,206                     |
| Discretionary reserve | 137,086                  | 15,093          | 152,179                    |
| Total                 | 159,292                  | 15,093          | 174,385                    |

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<br><u>2023</u> | <u>Addition</u> | 31 December<br><u>2023</u> |
|----------------------|--------------------------|-----------------|----------------------------|
| General risk reserve | 99,515                   | 2,060           | 101,575                    |

|                      | 1 January<br><u>2022</u> | <u>Addition</u> | 31 December<br><u>2022</u> |
|----------------------|--------------------------|-----------------|----------------------------|
| General risk reserve | 90,993                   | 8,522           | 99,515                     |

#### The Bank

|                      | 1 January<br><u>2023</u> | <u>Addition</u> | 31 December<br><u>2023</u> |
|----------------------|--------------------------|-----------------|----------------------------|
| General risk reserve | 93,500                   | 4,500           | 98,000                     |

|                      | 1 January<br><u>2022</u> | <u>Addition</u> | 31 December<br><u>2022</u> |
|----------------------|--------------------------|-----------------|----------------------------|
| General risk reserve | 89,000                   | 4,500           | 93,500                     |

Pursuant to Caijin [2012] No. 20 “Administration Rules on Appropriation to General Risk Reserve for Financial Institutions” issued by MOF, the Bank is required to make appropriation to a general risk reserve.

General risk reserve of the Group also includes appropriation of the Bank’s subsidiaries required by industry or district regulations.

34 Other reserves

The Group

|                                                                       | Opening<br>balance of other<br>comprehensive<br>income<br>attributable to<br>the Bank's<br>Shareholders | for the year from 1 January 2023 to 31 December 2023 |                       |                     |                                          |                                                          |                                           | Ending balance of<br>other<br>comprehensive<br>income<br>attributable to the<br>Bank's<br>Shareholders |
|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------|---------------------|------------------------------------------|----------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------|
|                                                                       |                                                                                                         | Transfer in<br>before tax                            | Less:<br>transfer out | Less:<br>Income tax | Attributable<br>to the Bank<br>after tax | Attributable<br>to minority<br>shareholders<br>after tax | Internal transfer<br>of owner's<br>equity |                                                                                                        |
| Items that may be<br>reclassified to profit or loss                   |                                                                                                         |                                                      |                       |                     |                                          |                                                          |                                           |                                                                                                        |
| Debt instruments<br>measured at FVOCI                                 |                                                                                                         |                                                      |                       |                     |                                          |                                                          |                                           |                                                                                                        |
| - Fair value changes                                                  | (7,106)                                                                                                 | 4,988                                                | (395)                 | (1,133)             | 3,461                                    | (1)                                                      | -                                         | (3,645)                                                                                                |
| - Impairment allowance                                                | 3,376                                                                                                   | 3,030                                                | (366)                 | (669)               | 1,995                                    | -                                                        | -                                         | 5,371                                                                                                  |
| Exchange differences from<br>the translation of foreign<br>operations | 320                                                                                                     | 179                                                  | -                     | -                   | 149                                      | 30                                                       | -                                         | 469                                                                                                    |
| Cash flow hedge reserve                                               | 6                                                                                                       | 118                                                  | -                     | (30)                | 64                                       | 24                                                       | -                                         | 70                                                                                                     |
| Others                                                                | 1                                                                                                       | (1)                                                  | -                     | -                   | (1)                                      | -                                                        | -                                         | -                                                                                                      |
| Item that will not be<br>reclassified to<br>profit or loss            |                                                                                                         |                                                      |                       |                     |                                          |                                                          |                                           |                                                                                                        |
| Change in fair value of other<br>equity instruments                   |                                                                                                         |                                                      |                       |                     |                                          |                                                          |                                           |                                                                                                        |
| - Fair value changes                                                  | 350                                                                                                     | (916)                                                | -                     | 169                 | (747)                                    | -                                                        | 239                                       | (158)                                                                                                  |
|                                                                       | <u>(3,053)</u>                                                                                          | <u>7,398</u>                                         | <u>(761)</u>          | <u>(1,663)</u>      | <u>4,921</u>                             | <u>53</u>                                                | <u>239</u>                                | <u>2,107</u>                                                                                           |

| for the year from 1 January 2022 to 31 December 2022                  |                                                                                                                |                           |                              |                            |                                                 |                                                                 |                                                  |                                                                                                               |
|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------|----------------------------|-------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
|                                                                       | Opening balance<br>of other<br>comprehensive<br>income<br>attributable to the<br>Bank's<br><u>Shareholders</u> | Transfer in<br>before tax | Less:<br><u>transfer out</u> | Less:<br><u>Income tax</u> | Attributable<br>to the Bank<br><u>after tax</u> | Attributable<br>to minority<br>shareholders<br><u>after tax</u> | Internal transfer<br>of owner's<br><u>equity</u> | Ending balance of<br>other<br>comprehensive<br>income<br>attributable to the<br>Bank's<br><u>Shareholders</u> |
| Items that may be<br>reclassified to profit or<br>loss                |                                                                                                                |                           |                              |                            |                                                 |                                                                 |                                                  |                                                                                                               |
| Debt instruments measured<br>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<br>from the translation of<br>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<br>reclassified to profit or<br>loss            |                                                                                                                |                           |                              |                            |                                                 |                                                                 |                                                  |                                                                                                               |
| Change in fair value of other<br>equity instruments                   |                                                                                                                |                           |                              |                            |                                                 |                                                                 |                                                  |                                                                                                               |
| - Fair value changes                                                  | 362                                                                                                            | (61)                      | -                            | 4                          | (57)                                            | -                                                               | 45                                               | 350                                                                                                           |
|                                                                       | <u>2,821</u>                                                                                                   | <u>(5,112)</u>            | <u>(2,770)</u>               | <u>2,013</u>               | <u>(5,919)</u>                                  | <u>50</u>                                                       | <u>45</u>                                        | <u>(3,053)</u>                                                                                                |

The Bank

|                                                                       | Opening<br>balance of other<br>comprehensive<br><u>income</u> | for the year from 1 January 2023 to 31 December 2023 |                               |                             |                  |                                                    | Ending balance<br>of other<br>comprehensive<br><u>income</u> |
|-----------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|-------------------------------|-----------------------------|------------------|----------------------------------------------------|--------------------------------------------------------------|
|                                                                       |                                                               | <u>Transfer in<br/>before tax</u>                    | <u>Less:<br/>transfer out</u> | <u>Less:<br/>income tax</u> | <u>After tax</u> | <u>Internal transfer<br/>of owner's<br/>equity</u> |                                                              |
| Items that may be reclassified to<br>profit or loss                   |                                                               |                                                      |                               |                             |                  |                                                    |                                                              |
| Financial investments<br>measured at FVOCI                            |                                                               |                                                      |                               |                             |                  |                                                    |                                                              |
| - Fair value changes                                                  | (6,141)                                                       | 4,950                                                | (501)                         | (1,110)                     | 3,339            | -                                                  | (2,802)                                                      |
| - Impairment allowance                                                | 2,844                                                         | 2,922                                                | (230)                         | (673)                       | 2,019            | -                                                  | 4,863                                                        |
| Exchange differences from the<br>translation of foreign<br>operations | (44)                                                          | 24                                                   | -                             | -                           | 24               | -                                                  | (20)                                                         |
| Cash flow hedge reserve                                               | (17)                                                          | 36                                                   | -                             | (9)                         | 27               | -                                                  | 10                                                           |
| Others                                                                | 1                                                             | (1)                                                  | -                             | -                           | (1)              | -                                                  | -                                                            |
| Item that will not be reclassified<br>to profit or loss               |                                                               |                                                      |                               |                             |                  |                                                    |                                                              |
| Change in fair value of other<br>equity instruments                   |                                                               |                                                      |                               |                             |                  |                                                    |                                                              |
| - Fair value changes                                                  | 350                                                           | (916)                                                | -                             | 169                         | (747)            | 239                                                | (158)                                                        |
|                                                                       | <u>(3,007)</u>                                                | <u>7,015</u>                                         | <u>(731)</u>                  | <u>(1,623)</u>              | <u>4,661</u>     | <u>239</u>                                         | <u>1,893</u>                                                 |

|                                                                       | Opening<br>balance of other<br>comprehensive<br><u>income</u> | for the year from 1 January 2022 to 31 December 2022 |                               |                             |                  |                                                    | Ending balance<br>of other<br>comprehensive<br><u>income</u> |
|-----------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|-------------------------------|-----------------------------|------------------|----------------------------------------------------|--------------------------------------------------------------|
|                                                                       |                                                               | <u>Transfer in<br/>before tax</u>                    | <u>Less:<br/>transfer out</u> | <u>Less:<br/>income tax</u> | <u>After tax</u> | <u>Internal transfer<br/>of owner's<br/>equity</u> |                                                              |
| Items that may be reclassified to<br>profit or loss                   |                                                               |                                                      |                               |                             |                  |                                                    |                                                              |
| Financial investments<br>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<br>translation of foreign<br>operations | (24)                                                          | (20)                                                 | -                             | -                           | (20)             | -                                                  | (44)                                                         |
| Cash flow hedge reserve                                               | 7                                                             | (32)                                                 | -                             | 8                           | (24)             | -                                                  | (17)                                                         |
| Others                                                                | 1                                                             | -                                                    | -                             | -                           | -                | -                                                  | 1                                                            |
| Item that will not be reclassified<br>to profit or loss               |                                                               |                                                      |                               |                             |                  |                                                    |                                                              |
| Change in fair value of other<br>equity instruments                   |                                                               |                                                      |                               |                             |                  |                                                    |                                                              |
| - Fair value changes                                                  | 362                                                           | (61)                                                 | -                             | 4                           | (57)             | 45                                                 | 350                                                          |
|                                                                       | <u>2,849</u>                                                  | <u>(5,127)</u>                                       | <u>(2,718)</u>                | <u>1,944</u>                | <u>(5,901)</u>   | <u>45</u>                                          | <u>(3,007)</u>                                               |

35 Profit appropriations

(1) Profit distribution for the year ended 31 December 2022

Pursuant to the approval at the Shareholders' meeting on 28 June 2023, the Bank's profit distribution plan for the year ended 31 December 2022 is as follows:

- (i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 14,544 million;
- (ii) Appropriate RMB 4.5 billion as general reserve;
- (iii) The Bank declared and distributed cash dividends of RMB 3.2 (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 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:

- (iv) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 15,093 million;
- (v) Appropriate RMB 4.5 billion as general reserve;
- (vi) The Bank declared and distributed cash dividends of RMB 4.1 (tax included) for every 10 shares to all ordinary 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 2023, 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 4 December 2023, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 24 February 2023, 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 13 March 2023, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

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%).



(4) Interests payment of capital bonds with unfixed terms

In November 2023, the Bank has declared the distribution of RMB 2.375 billion of interests of perpetual bonds according to the relevant terms of issuance of the 2020 capital bonds with unfixed terms.

In July 2023, the Bank has declared the distribution of RMB 1.419 billion of interests of perpetual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

In November 2022, the Bank has declared the distribution of RMB 2.375 billion of interests of perpetual 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 perpetual 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*

The Group sells loan assets to structured entities, which then issue asset-backed securities to investors. The partial securitization transactions conducted by the Group will result in the Group terminating the recognition of all transferred financial assets. For the year ended 31 December 2023, the Group transferred financial assets amounted to RMB 26,141 million through assets backed securitization transactions, and all have met the requirement of derecognition (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).

As at 31 December 2023, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 35,874 million (31 December 2022: 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 2023, the assets value of the Group's continued recognition was RMB 4,650 million (31 December 2022: RMB 4,650 million).

### *Transfer of loans assets*

For the year ended 31 December 2023, the Group directly transferred and derecognized a total amount of RMB 9,515 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 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).

### *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 2023, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 64,575 million (31 December 2022: RMB 67,632 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, equity investment, capital trust and asset management plans, ABS and other investments, the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

|                                                     | <u>The Group</u>                  |                                   |
|-----------------------------------------------------|-----------------------------------|-----------------------------------|
|                                                     | <u>31 December</u><br><u>2023</u> | <u>31 December</u><br><u>2022</u> |
| Carrying amount                                     |                                   |                                   |
| Financial investments<br>measured at FVTPL          |                                   |                                   |
| Fund investments                                    | 434,606                           | 357,183                           |
| Equity investments                                  | 11,109                            | 10,371                            |
| Capital trust and asset management plans            | 10,220                            | 9,761                             |
| ABS                                                 | 1,927                             | 4,683                             |
| Other investments                                   | 6,613                             | 6,560                             |
| Financial investments measured<br>at amortised cost |                                   |                                   |
| Capital trust and asset management plans            | 258,210                           | 372,761                           |
| ABS                                                 | 66                                | 207                               |
| Financial investments<br>measured at FVOCI          |                                   |                                   |
| ABS                                                 | 6,302                             | 2,886                             |
| Reposessed equity instruments                       | 502                               | 828                               |
| Other investments                                   | 1,575                             | 1,575                             |

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 2023, the amount of assets held by the unconsolidated wealth management products, which are sponsored by the Group, were RMB 1,079,618 million (31 December 2022: RMB 980,263 million).

During the year of 2023 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 2023, the amount of assets held by the unconsolidated capital trust plans, which are sponsored by the Group, were RMB 370,713 million (31 December 2022: RMB 305,463 million).

As at 31 December 2023, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 39,220 million (31 December 2022: RMB 201,225 million).

As at 31 December 2023, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 114,637 million (31 December 2022: RMB 136,737 million).

In 2023, the Group's commission income from providing services to the wealth management products and Trust plans was RMB 2.394 billion and RMB 1.284 billion, respectively. (In 2022: RMB 5.199 billion and RMB 2.494 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 2023

The total amount of the wealth management products issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB 57,116 million (The aggregated amount of the wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 31 December 2022 is not material).

The total amount of ABS issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB 753 million (The total amount of ABS issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB 502 million).

There was no trust plans or investments in funds issued by the Group after 1 January 2023 and expired before 31 December 2023.

## 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 | Registered capital | Obtaining method | Share-holding percentage (direct) |
|----------------------------------------------|------------------------|-----------------------|--------------------|------------------|-----------------------------------|
| SPDB Financial Leasing Co., Ltd.             | Shanghai               | Shanghai              | CNY 5,000,000,000  | Establishment    | 61.02%                            |
| Shanghai International Trust Co., Ltd.       | Shanghai               | Shanghai              | CNY 5,000,000,000  | Acquisition      | 97.33%                            |
| SPDB International Holding, Ltd.             | Hong Kong              | Hong Kong             | HKD 505,000,000    | Acquisition      | 100.00%                           |
| SPDB Wealth Management Co., Ltd.             | Shanghai               | Shanghai              | CNY 5,000,000,000  | Establishment    | 100.00%                           |
| Mianzhu SPD Rural Bank Co., Ltd.             | Mianzhu, Sichuan       | Mianzhu, Sichuan      | CNY 50,000,000     | Establishment    | 55.00%                            |
| Liyang SPD Rural Bank Co., Ltd.              | Liyang, Jiangsu        | Liyang, Jiangsu       | CNY 150,000,000    | Establishment    | 51.00%                            |
| Gongyi SPD Rural Bank Co., Ltd.              | Gongyi, Henan          | Gongyi, Henan         | CNY 150,000,000    | Establishment    | 51.00%                            |
| Fengxian SPD Rural Bank Co., Ltd.            | Fengxian, Shanghai     | Fengxian, Shanghai    | CNY 150,000,000    | Establishment    | 51.00%                            |
| Zixing SPD Rural Bank Co., Ltd.              | Zixing, Hunan          | Zixing, Hunan         | CNY 150,000,000    | Establishment    | 51.00%                            |
| Chongqing Banan SPD Rural Bank Co., Ltd.     | Banan, Chongqing       | Banan, Chongqing      | CNY 50,000,000     | Establishment    | 51.00%                            |
| Zouping SPD Rural Bank Co., Ltd.             | Zouping, Shandong      | Zouping, Shandong     | CNY 150,000,000    | Establishment    | 51.00%                            |
| Zezhou SPD Rural Bank Co., Ltd.              | Jincheng, Shanxi       | Jincheng, Shanxi      | CNY 150,000,000    | Establishment    | 51.00%                            |
| Dalian Ganjingzi SPD Rural Bank Co., Ltd.    | Dalian, Liaoning       | Dalian, Liaoning      | CNY 50,000,000     | Establishment    | 51.00%                            |
| Hancheng SPD Rural Bank Co., Ltd.            | Hancheng Shaanxi       | Hancheng Shaanxi      | CNY 50,000,000     | Establishment    | 51.00%                            |
| Jiangyin SPD Rural Bank Co., Ltd.            | Jiangyin, Jiangsu      | Jiangyin, Jiangsu     | CNY 100,000,000    | Establishment    | 51.00%                            |
| Pingyang SPD Rural Bank Co., Ltd.            | Pingyang, Zhejiang     | Pingyang, Zhejiang    | CNY 100,000,000    | Establishment    | 51.00%                            |
| Xinchang SPD Rural Bank Co., Ltd.            | Xinchang, Zhejiang     | Xinchang, Zhejiang    | CNY 100,000,000    | Establishment    | 51.00%                            |
| Yuanjiang SPD Rural Bank Co., Ltd.           | Yuanjiang, Hunan       | Yuanjiang, Hunan      | CNY 50,000,000     | Establishment    | 51.00%                            |
| Chaling SPD Rural Bank Co., Ltd.             | Zhuzhou, Hunan         | Zhuzhou, Hunan        | CNY 50,000,000     | Establishment    | 51.00%                            |
| Linchuan SPD Rural Bank Co., Ltd.            | Fuzhou, Jiangxi        | Fuzhou, Jiangxi       | CNY 100,000,000    | Establishment    | 51.00%                            |
| Linwu SPD Rural Bank Co., Ltd.               | Chenzhou, Hunan        | Chenzhou, Hunan       | CNY 50,000,000     | Establishment    | 51.00%                            |
| Hengnan SPD Rural Bank Co., Ltd.             | Hengyang, Hunan        | Hengyang, Hunan       | CNY 50,000,000     | Establishment    | 51.00%                            |
| Haerbin Hulan SPD Rural Bank Co., Ltd.       | Haerbin, Heilongjiang  | Haerbin, Heilongjiang | CNY 100,000,000    | Establishment    | 51.00%                            |
| Gongzhuling SPD Rural Bank Co., Ltd.         | Siping, Jilin          | Siping, Jilin         | CNY 50,000,000     | Establishment    | 51.00%                            |
| Yuzhong SPD Rural Bank Co., Ltd.             | Lanzhou, Gansu         | Lanzhou, Gansu        | CNY 50,000,000     | Establishment    | 51.00%                            |
| Fumin SPD Rural Bank Co., Ltd.               | Fumin, Yunnan          | Fumin, Yunnan         | CNY 50,000,000     | Establishment    | 51.00%                            |
| Ningbo Haishu Rural Bank Co., Ltd.           | Ningbo, Zhejiang       | Ningbo, Zhejiang      | CNY 100,000,000    | Establishment    | 51.00%                            |
| Urumchi Midong SPD Rural Bank Co., Ltd.      | Urumchi, Xinjiang      | Urumchi, Xinjiang     | CNY 100,000,000    | Establishment    | 51.00%                            |
| Tianjin Baodi SPD Rural Bank Co., Ltd.       | Baodi, Tianjin         | Baodi, Tianjin        | CNY 100,000,000    | Establishment    | 51.00%                            |
| Chongqing Tongliang SPD Rural Bank Co., Ltd. | Tongliang, Chongqing   | Tongliang, Chongqing  | CNY 50,000,000     | Establishment    | 51.00%                            |
| Qianxinan yilong SPD Rural Bank Co., Ltd.    | Yilong, Guizhou        | Yilong, Guizhou       | CNY 50,000,000     | Establishment    | 51.00%                            |
| Fufeng SPD Rural Bank Co., Ltd.              | Baoji, Shaanxi         | Baoji, Shaanxi        | CNY 50,000,000     | Establishment    | 51.00%                            |

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.

#### (iii) Disposal of subsidiaries

China International Fund Management was jointly established in 2004 by Shanghai International Trust, a controlling subsidiary of the bank, and JPMorgan Asset. Shanghai Trust held 51% of the shares and JPMorgan Asset 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 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 was delisted

with no less than RMB 7 billion. As at the balance sheet date, Shanghai International Trust has completed the equity transaction of China International Fund Management with JPMorgan Asset.

(2) Interests in joint ventures and associates

(i) General information of major joint ventures and associates

| <i>Name of the investee</i>               | <i>Note</i> | <i>Place of<br/>main<br/>business</i> | <i>Place of<br/>registration</i> | <i>Strategic<br/>investment</i> | <i>Share-<br/>holding<br/>percentage<br/>(Direct)</i> | <i>Business<br/>nature</i> |
|-------------------------------------------|-------------|---------------------------------------|----------------------------------|---------------------------------|-------------------------------------------------------|----------------------------|
| Joint ventures:                           |             |                                       |                                  |                                 |                                                       |                            |
| AXA SPDB Investment<br>Managers Co., Ltd. | (a)         | Shanghai                              | Shanghai                         | Y                               | 51%                                                   | Financial<br>industry      |
| SPD Silicon Valley Bank<br>Co., Ltd.      |             | Shanghai                              | Shanghai                         | Y                               | 50%                                                   | Financial<br>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                                                                     |

2023

|                                                      | Headquarters | Yangtze<br>River Delta | Pearl River<br>Delta and<br>West Side<br>of Taiwan<br>Strait | Bohai<br>Rim | Central<br>China | Western<br>China | North-east<br>China | Overseas and<br>subsidiaries | Elimination | Total     |
|------------------------------------------------------|--------------|------------------------|--------------------------------------------------------------|--------------|------------------|------------------|---------------------|------------------------------|-------------|-----------|
| Interest income                                      | 134,215      | 89,228                 | 33,607                                                       | 35,024       | 22,552           | 26,518           | 8,349               | 18,555                       | (70,450)    | 297,598   |
| <i>Including:</i>                                    |              |                        |                                                              |              |                  |                  |                     |                              |             |           |
| <i>External interest income</i>                      | 120,161      | 61,110                 | 23,118                                                       | 24,075       | 21,122           | 24,469           | 6,503               | 17,040                       | -           | 297,598   |
| <i>Internal interest income</i>                      | 14,054       | 28,118                 | 10,489                                                       | 10,949       | 1,430            | 2,049            | 1,846               | 1,515                        | (70,450)    | -         |
| Interest expense                                     | (98,699)     | (56,081)               | (24,264)                                                     | (22,433)     | (11,760)         | (15,652)         | (5,225)             | (15,507)                     | 70,458      | (179,163) |
| <i>Including:</i>                                    |              |                        |                                                              |              |                  |                  |                     |                              |             |           |
| <i>External interest expense</i>                     | (52,994)     | (49,789)               | (15,656)                                                     | (21,451)     | (11,191)         | (9,387)          | (5,050)             | (13,645)                     | -           | (179,163) |
| <i>Internal interest expense</i>                     | (45,705)     | (6,292)                | (8,608)                                                      | (982)        | (569)            | (6,265)          | (175)               | (1,862)                      | 70,458      | -         |
| Net interest income                                  | 35,516       | 33,147                 | 9,343                                                        | 12,591       | 10,792           | 10,866           | 3,124               | 3,048                        | 8           | 118,435   |
| Net fee and commission<br>income / (expense)         | 12,181       | 4,416                  | 2,796                                                        | 944          | 811              | (334)            | (93)                | 3,733                        | (1)         | 24,453    |
| Net trading income                                   | 16,099       | 760                    | 325                                                          | 312          | 187              | 341              | 25                  | 1,540                        | (2)         | 19,587    |
| Net gains arising from<br>financial investments      | 3,644        | -                      | -                                                            | -            | -                | -                | -                   | 3,478                        | -           | 7,122     |
| Other operating income/<br>(expense)                 | 126          | 77                     | 93                                                           | 84           | 24               | 112              | 5                   | 3,488                        | (269)       | 3,740     |
| Operating expenses                                   | (18,144)     | (11,563)               | (4,226)                                                      | (5,563)      | (4,020)          | (4,940)          | (1,891)             | (5,922)                      | 264         | (56,005)  |
| Impairment losses                                    | (51,042)     | (3,936)                | (3,261)                                                      | (4,313)      | (7,157)          | (4,659)          | 706                 | (3,201)                      | -           | (76,863)  |
| Share of profits<br>associates and joint<br>ventures | 186          | -                      | -                                                            | -            | -                | -                | -                   | 37                           | -           | 223       |
| Total segment (loss) /<br>profit before tax          | (1,434)      | 22,901                 | 5,070                                                        | 4,055        | 637              | 1,386            | 1,876               | 6,201                        | -           | 40,692    |



| 31 December 2023                               |                     |                            |                                                         |                    |                      |                      |                         |                                  |                    |                    |
|------------------------------------------------|---------------------|----------------------------|---------------------------------------------------------|--------------------|----------------------|----------------------|-------------------------|----------------------------------|--------------------|--------------------|
|                                                | <u>Headquarters</u> | <u>Yangtze River Delta</u> | <u>Pearl River Delta and West Side of Taiwan Strait</u> | <u>Bohai Rim</u>   | <u>Central China</u> | <u>Western China</u> | <u>North-east China</u> | <u>Overseas and subsidiaries</u> | <u>Elimination</u> | <u>Total</u>       |
| Loans and advances to customers                | 473,394             | 1,644,988                  | 655,933                                                 | 624,499            | 510,431              | 614,887              | 181,805                 | 202,147                          | (3,388)            | 4,904,696          |
| Total segment assets                           | <u>4,862,615</u>    | <u>2,648,207</u>           | <u>847,115</u>                                          | <u>1,062,367</u>   | <u>574,144</u>       | <u>677,805</u>       | <u>249,311</u>          | <u>475,107</u>                   | <u>(2,389,424)</u> | <u>9,007,247</u>   |
| Deposits from customers                        | (85,165)            | (2,189,911)                | (642,747)                                               | (841,035)          | (503,646)            | (475,563)            | (209,478)               | (113,155)                        | 356                | (5,060,344)        |
| Total segment assets                           | <u>(4,192,761)</u>  | <u>(2,625,461)</u>         | <u>(842,033)</u>                                        | <u>(1,058,587)</u> | <u>(573,483)</u>     | <u>(676,594)</u>     | <u>(248,186)</u>        | <u>(446,682)</u>                 | <u>2,389,424</u>   | <u>(8,274,363)</u> |
| Net position of segment assets and liabilities | <u>669,854</u>      | <u>22,746</u>              | <u>5,082</u>                                            | <u>3,780</u>       | <u>661</u>           | <u>1,211</u>         | <u>1,125</u>            | <u>28,425</u>                    | <u>-</u>           | <u>732,884</u>     |

|                                                | 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   |
| <i>Including:</i>                              |              |                     |                                                  |           |               |               |                  |                           |             |           |
| <i>External interest income</i>                | 116,547      | 62,922              | 24,403                                           | 25,566    | 24,456        | 26,919        | 8,241            | 10,466                    | -           | 299,520   |
| <i>Internal interest income</i>                | 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) |
| <i>Including:</i>                              |              |                     |                                                  |           |               |               |                  |                           |             |           |
| <i>External interest expense</i>               | (54,828)     | (45,298)            | (14,154)                                         | (21,501)  | (10,326)      | (8,755)       | (4,675)          | (6,314)                   | -           | (165,851) |
| <i>Internal interest expense</i>               | (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 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 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                               |                     |                            |                                                         |                  |                      |                      |                         |                                  |                    |                    |
|------------------------------------------------|---------------------|----------------------------|---------------------------------------------------------|------------------|----------------------|----------------------|-------------------------|----------------------------------|--------------------|--------------------|
|                                                | <u>Headquarters</u> | <u>Yangtze River Delta</u> | <u>Pearl River Delta and West Side of Taiwan Strait</u> | <u>Bohai Rim</u> | <u>Central China</u> | <u>Western China</u> | <u>North-east China</u> | <u>Overseas and subsidiaries</u> | <u>Elimination</u> | <u>Total</u>       |
| 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                           | <u>4,700,936</u>    | <u>2,454,245</u>           | <u>754,000</u>                                          | <u>958,945</u>   | <u>576,903</u>       | <u>621,781</u>       | <u>266,418</u>          | <u>441,247</u>                   | <u>(2,069,824)</u> | <u>8,704,651</u>   |
| 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                           | <u>(4,048,318)</u>  | <u>(2,434,215)</u>         | <u>(748,895)</u>                                        | <u>(951,537)</u> | <u>(575,835)</u>     | <u>(628,896)</u>     | <u>(265,383)</u>        | <u>(414,621)</u>                 | <u>2,069,824</u>   | <u>(7,997,876)</u> |
| Net position of segment assets and liabilities | <u>652,618</u>      | <u>20,030</u>              | <u>5,105</u>                                            | <u>7,408</u>     | <u>1,068</u>         | <u>(7,115)</u>       | <u>1,035</u>            | <u>26,626</u>                    | <u>-</u>           | <u>706,775</u>     |

## V CONTINGENCIES AND COMMITMENTS

### 1 Credit commitments

The Group's credit commitments are listed as follows:

|                             | <u>31 December 2023</u> | <u>31 December 2022</u> |
|-----------------------------|-------------------------|-------------------------|
| Bank acceptance bills       | 679,362                 | 729,985                 |
| Credit cards commitments    | 659,296                 | 662,248                 |
| Other loan commitments      | 300,182                 | 41,987                  |
| Letters of credit issued    | 261,517                 | 236,245                 |
| Letters of guarantee issued | 108,672                 | 109,643                 |
| Total                       | <u>2,009,029</u>        | <u>1,780,108</u>        |

### 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 2023, the outstanding principal value of the commitment on redemption treasury bonds sold by the Group amounted to RMB 4,665 million (31 December 2022: RMB 7,781 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 by the Group before the maturity date will not be material.

### 3 Capital commitments

As at 31 December 2023, the major capital commitments the Group had signed but not paid amounted to RMB 10,395 million (31 December 2022: RMB 7,540 million). Additionally, as at 31 December 2023, the amount of the procurement plan of operating fixed assets that the Bank's subsidiaries had signed but not paid was RMB 2,324 million (31 December 2022: RMB 4,058 million). The finance lease contracts that have not yet commenced signed by the Bank's subsidiaries as lessors with the lessees amounted to RMB 11,311 million (31 December 2022: RMB 6,274 million).

As at 31 December 2023, the major capital commitments the Group had approved but not signed amounted to RMB 4,337 million (31 December 2022: RMB 5,330 million).

### 4 Legal proceedings

As at 31 December 2023, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 162 and 134, respectively. The corresponding amount involved was about RMB 4,212 million and RMB 610 million, respectively, the estimated compensation amount is approximately RMB 27 million (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).

## 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 2023, the balance of entrusted loan business was RMB 61,420 million (As at 31 December 2022: RMB 67,363 million).

## VII RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

As at 31 December 2023 and 31 December 2022 major shareholders holding more than 5% ordinary shares of the Bank are as follows:

|                                                   | Direct<br>shareholding<br>percentage | <u>Major business</u>    |
|---------------------------------------------------|--------------------------------------|--------------------------|
| Shanghai International Group Co., Ltd.            | 21.57%                               | Investment management    |
| China Mobile Group Guangdong Company Limited      | 18.18%                               | Mobile and Communication |
| Funde Sino Life Insurance Co., Ltd. – Traditional | 9.47%                                | Insurance Business       |
| Funde Sino Life Insurance Co., Ltd. – Capital     | 6.01%                                | Insurance Business       |

### 2 Other shareholders who exert significant influence on the Bank

As of December 31, 2023 and 2022, other shareholders exerting significant influence on the Bank include:

|                                                   | Direct<br>shareholding<br>percentage | <u>Major Business</u> |
|---------------------------------------------------|--------------------------------------|-----------------------|
| 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 joint ventures and associates".

### 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.

## 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:

|                                                                                               | <u>Major<br/>shareholders</u> | <u>Joint ventures<br/>and associates</u> | <u>Other major<br/>related parties<br/>- group<br/>companies<br/>of major<br/>shareholders<br/>(exclusive)</u> | <u>Other major<br/>related parties -<br/>companies with<br/>significant<br/>influence by key<br/>management<br/>personnel<br/>(exclusive)</u> | <u>Other major<br/>related parties<br/>- individuals</u> | <u>Total</u> | <u>Proportion<br/>of relevant<br/>transactions<br/>and<br/>balances</u> |
|-----------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------|-------------------------------------------------------------------------|
| Amounts of significant transactions from 1 January 2023 to 31 December 2023 are listed below: |                               |                                          |                                                                                                                |                                                                                                                                               |                                                          |              |                                                                         |
| Interest income                                                                               | -                             | -                                        | 373                                                                                                            | 27                                                                                                                                            | 1                                                        | 401          | 0.13%                                                                   |
| Interest expense                                                                              | (330)                         | (16)                                     | (1,513)                                                                                                        | (65)                                                                                                                                          | (1)                                                      | (1,925)      | 1.07%                                                                   |
| Net Fee and commission<br>income                                                              | 7                             | 1                                        | 35                                                                                                             | 6                                                                                                                                             | 1                                                        | 50           | 0.16%                                                                   |
| Net trading income                                                                            | -                             | 137                                      | (16)                                                                                                           | 294                                                                                                                                           | -                                                        | 415          | 1.55%                                                                   |
| Share of profits associates<br>and joint ventures                                             | -                             | 223                                      | -                                                                                                              | -                                                                                                                                             | -                                                        | 223          | 100.00%                                                                 |
| Operating expenses                                                                            | (11)                          | -                                        | (328)                                                                                                          | -                                                                                                                                             | -                                                        | (339)        | 0.61%                                                                   |
| Other comprehensive<br>income                                                                 | 1                             | -                                        | -                                                                                                              | -                                                                                                                                             | -                                                        | 1            | 0.02%                                                                   |

|                                                                           | Major<br>shareholders | Joint ventures and<br>associates | Other major<br>related parties -<br>group<br>companies<br>of major<br>shareholders<br>(exclusive) | Other major related<br>parties - companies<br>with<br>significant influence<br>by key<br>management<br>personnel<br>(exclusive) | Other major<br>related parties -<br>individuals | Total    | Proportion of<br>relevant<br>transactions<br>and balances |
|---------------------------------------------------------------------------|-----------------------|----------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|----------|-----------------------------------------------------------|
| Significant item balances at 31 December 2023:                            |                       |                                  |                                                                                                   |                                                                                                                                 |                                                 |          |                                                           |
| Deposits and placements with<br>banks and other financial<br>institutions | -                     | -                                | 9,127                                                                                             | 2,055                                                                                                                           | -                                               | 11,182   | 2.01%                                                     |
| Loans and advances to<br>customers                                        | -                     | -                                | 2,438                                                                                             | 997                                                                                                                             | 17                                              | 3,452    | 0.07%                                                     |
| Derivative financial assets                                               | -                     | 11                               | 48                                                                                                | 379                                                                                                                             | -                                               | 438      | 0.78%                                                     |
| Financial investments measured<br>at:                                     |                       |                                  |                                                                                                   |                                                                                                                                 |                                                 |          |                                                           |
| - Financial investments<br>measured at FVTPL                              | -                     | -                                | -                                                                                                 | 3,049                                                                                                                           | -                                               | 3,049    | 0.39%                                                     |
| - FVOCI                                                                   | 371                   | -                                | 518                                                                                               | 956                                                                                                                             | -                                               | 1,845    | 0.30%                                                     |
| Investments in associates and<br>Joint Ventures                           | -                     | 2,825                            | -                                                                                                 | -                                                                                                                               | -                                               | 2,825    | 100.00%                                                   |
| Other Assets                                                              | -                     | -                                | 2                                                                                                 | -                                                                                                                               | -                                               | 2        | 0.01%                                                     |
| Deposits and placements from<br>banks and other financial<br>institutions | -                     | (1,596)                          | (25,092)                                                                                          | (4,593)                                                                                                                         | -                                               | (31,281) | 2.42%                                                     |
| Derivative financial liabilities                                          | -                     | (19)                             | (28)                                                                                              | (279)                                                                                                                           | -                                               | (326)    | 0.62%                                                     |
| Deposits from customers                                                   | (6,047)               | -                                | (41,294)                                                                                          | -                                                                                                                               | (27)                                            | (47,368) | 0.94%                                                     |
| Other liabilities                                                         | (2)                   | -                                | (8)                                                                                               | -                                                                                                                               | -                                               | (10)     | 0.03%                                                     |

|                                                           | <u>Major<br/>shareholders</u> | <u>Joint ventures and<br/>associates</u> | <u>Other major<br/>related parties -<br/>group<br/>companies<br/>of major<br/>shareholders<br/>(exclusive)</u> | <u>Other major<br/>related parties -<br/>companies with<br/>significant<br/>influence by key<br/>management<br/>personnel<br/>(exclusive)</u> | <u>Other major<br/>related parties -<br/>individuals</u> | <u>Total</u> | <u>Proportion of<br/>relavent<br/>transactions<br/>and balances</u> |
|-----------------------------------------------------------|-------------------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------|---------------------------------------------------------------------|
| Significant off-balance item at 31 December 2023          |                               |                                          |                                                                                                                |                                                                                                                                               |                                                          |              |                                                                     |
| Letters of guarantee issued                               | -                             | -                                        | 94                                                                                                             | -                                                                                                                                             | -                                                        | 94           | 0.09%                                                               |
| Credit card commitment                                    | -                             | -                                        | -                                                                                                              | -                                                                                                                                             | 13                                                       | 13           | 0.01%                                                               |
| Entrusted loan                                            | -                             | -                                        | 1,338                                                                                                          | -                                                                                                                                             | -                                                        | 1,338        | 2.18%                                                               |
| Guarantees provided for credit<br>business                | -                             | -                                        | 3,562                                                                                                          | -                                                                                                                                             | -                                                        | 3,562        | 0.12%                                                               |
| Bank acceptance bills                                     | -                             | -                                        | 457                                                                                                            | -                                                                                                                                             | -                                                        | 457          | 0.07%                                                               |
| Investment of funds for issuing<br>financial products     | -                             | -                                        | -                                                                                                              | 200                                                                                                                                           | -                                                        | 200          | 0.02%                                                               |
| Notional principal of derivative<br>financial instruments | -                             | 2,440                                    | 9,544                                                                                                          | 63,349                                                                                                                                        | -                                                        | 75,333       | 0.99%                                                               |

Note1: As of 31 December 2023, key management of the Bank possessed a total number of 659,600 shares of common stock issued by the bank and regularly received corresponding cash dividends.

Note2: On 31 December 2023, China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank



|                                                                                               | Major<br>shareholders | Joint ventures<br>and associates | Other major<br>related parties -<br>group companies<br>of major<br>shareholders<br>(exclusive) | Other major<br>related parties -<br>significant<br>influence by key<br>management<br>personnel<br>(exclusive) | Other major<br>related parties -<br>companies with<br>Other major<br>related parties -<br>individuals | <u>Total</u> | Proportion of<br>relavent<br>transactions<br>and<br>balances |
|-----------------------------------------------------------------------------------------------|-----------------------|----------------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------|--------------------------------------------------------------|
| Amounts of significant transactions from 1 January 2022 to 31 December 2022 are listed below: |                       |                                  |                                                                                                |                                                                                                               |                                                                                                       |              |                                                              |
| Interest income                                                                               | -                     | -                                | 54                                                                                             | 70                                                                                                            | 1                                                                                                     | 125          | 0.04%                                                        |
| Interest expense                                                                              | (500)                 | (28)                             | (1,316)                                                                                        | (208)                                                                                                         | (1)                                                                                                   | (2,053)      | 1.24%                                                        |
| Net Fee and commission<br>income                                                              | 1                     | 34                               | 4                                                                                              | 7                                                                                                             | 1                                                                                                     | 47           | 0.12%                                                        |
| Net trading income                                                                            | -                     | (18)                             | (15)                                                                                           | (10)                                                                                                          | -                                                                                                     | (43)         | -0.25%                                                       |
| Share of profits associates<br>and joint ventures                                             | -                     | 230                              | -                                                                                              | -                                                                                                             | -                                                                                                     | 230          | 100.00%                                                      |
| Operating expenses                                                                            | (11)                  | -                                | (228)                                                                                          | -                                                                                                             | -                                                                                                     | (239)        | 0.42%                                                        |
| Other comprehensive<br>income                                                                 | 1                     | -                                | -                                                                                              | 1                                                                                                             | -                                                                                                     | 2            | -0.03%                                                       |

|                                                                           | Major<br>shareholders | Joint ventures and<br>associates | Other major<br>related parties -<br>group<br>companies<br>of major<br>shareholders<br>(exclusive) | Other major related<br>parties - companies<br>with<br>significant influence<br>by key<br>management<br>personnel<br>(exclusive) | Other major<br>related parties -<br>individuals | Total    | Proportion of<br>relavent<br>transactions<br>and balances |
|---------------------------------------------------------------------------|-----------------------|----------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|----------|-----------------------------------------------------------|
| Significant item balances at 31 December 2022:                            |                       |                                  |                                                                                                   |                                                                                                                                 |                                                 |          |                                                           |
| Deposits and placements with<br>banks and other financial<br>institutions | -                     | -                                | -                                                                                                 | 75                                                                                                                              | -                                               | 75       | 0.01%                                                     |
| Loans and advances to<br>customers                                        | -                     | -                                | 1,555                                                                                             | 1,729                                                                                                                           | 23                                              | 3,307    | 0.07%                                                     |
| Derivative financial assets                                               | -                     | 1                                | -                                                                                                 | 218                                                                                                                             | -                                               | 219      | 0.51%                                                     |
| Financial investments measured<br>at:                                     |                       |                                  |                                                                                                   |                                                                                                                                 |                                                 |          |                                                           |
| - Financial investments<br>measured at FVTPL                              | -                     | -                                | -                                                                                                 | 3,316                                                                                                                           | -                                               | 3,316    | 0.47%                                                     |
| - Financial investments<br>measured at amortized cost                     | -                     | -                                | -                                                                                                 | 447                                                                                                                             | -                                               | 447      | 0.04%                                                     |
| - FVOCI                                                                   | 101                   | -                                | 518                                                                                               | 1,007                                                                                                                           | -                                               | 1,626    | 0.25%                                                     |
| Investments in associates and<br>Joint Ventures                           | -                     | 2,655                            | -                                                                                                 | -                                                                                                                               | -                                               | 2,655    | 100.00%                                                   |
| Other Assets                                                              | -                     | -                                | 2                                                                                                 | -                                                                                                                               | -                                               | 2        | 0.01%                                                     |
| Deposits and placements from<br>banks and other financial<br>institutions | -                     | (1,463)                          | (15,097)                                                                                          | (2,496)                                                                                                                         | -                                               | (19,056) | 1.71%                                                     |
| 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%                                                     |

|                                                           | Major<br>shareholders | Joint ventures and<br>associates | Other major related<br>parties - group<br>companies<br>of major<br>shareholders<br>(exclusive) | Other major related<br>parties -<br>companies with<br>significant influence<br>by key<br>management<br>personnel<br>(exclusive) | Other major<br>related parties -<br>individuals | Total  | Proportion of<br>relavent<br>transactions<br>and balances |
|-----------------------------------------------------------|-----------------------|----------------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------|-----------------------------------------------------------|
| 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<br>business                | -                     | -                                | 400                                                                                            | 8,639                                                                                                                           | -                                               | 9,039  | 0.32%                                                     |
| Bank acceptance bills                                     | -                     | -                                | 67                                                                                             | -                                                                                                                               | -                                               | 67     | 0.01%                                                     |
| Investment of funds for issuing<br>financial products     | -                     | -                                | -                                                                                              | 1,240                                                                                                                           | -                                               | 1,240  | 0.13%                                                     |
| Notional principal of derivative<br>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

## 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:                                                                | <u>31 December 2023</u> | <u>31 December 2022</u> |
|------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Deposits and placements with banks and other financial institutions                      | 9,474                   | 6,851                   |
| Loans and advances to customers                                                          | 3,388                   | 2,203                   |
| Financial investment measured at FVOCI                                                   | 1                       | 252                     |
| Deposits and placements from banks and other financial institutions                      | 11,055                  | 13,424                  |
| Derivative financial liabilities                                                         | 8                       | 16                      |
| Deposits from customers                                                                  | 356                     | 781                     |
| Others                                                                                   | (86)                    | 99                      |
| Transactions during the year:                                                            | <u>2023</u>             | <u>2022</u>             |
| Interest income from deposits and placements from banks and other financial institutions | 207                     | 120                     |
| Net trading loss                                                                         | (8)                     | 16                      |
| Interest income from loans and advances to customers                                     | 140                     | 81                      |
| Interest income from financial investment measured at FVOCI                              | 8                       | 13                      |
| Interest expenses on deposits from banks and other financial institutions                | 281                     | 362                     |
| Interest expenses on deposits from customers                                             | 8                       | 6                       |
| Fee and commission income                                                                | 83                      | 46                      |
| Fee and commission expense                                                               | 43                      | 1,839                   |
| Other operating net income                                                               | 4                       | 6                       |
| Operating expenses                                                                       | 257                     | 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:

|                                          | <u>2023</u> | <u>2022</u> |
|------------------------------------------|-------------|-------------|
| Compensation of key management personnel | <u>17</u>   | <u>20</u>   |

The Compensation of key management personnel are remuneration without social insurance paid in 2023 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 parties 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 2023, the newly added major credited related transactions between the Bank and related parties outside the Group are as follows:

| <u>Related Parties</u>                      | <u>Total credit limit to related parties and other companies in their group</u> |
|---------------------------------------------|---------------------------------------------------------------------------------|
| China National Tobacco Corporation          | 27,000                                                                          |
| Guotai Junan Securities Co., Ltd.           | 24,600                                                                          |
| Shanghai International Group Co., Ltd.      | 23,040                                                                          |
| Bailian Group Co., Ltd.                     | 13,000                                                                          |
| 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.

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:

| <u>Collaterals or pledged assets</u>               | <u>Maximum loan-to-value ratio</u> |
|----------------------------------------------------|------------------------------------|
| 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 (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-risk 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 managed the quality of credit assets in accordance with the Guidelines for Risk-based Loan Classification (Yin Jian Fa [2007] No.54) during the period from 1 January 2023 to 30 June 2023. The Group managed the quality of relevant financial assets (including credit assets) based on the Measures for the Risk-based Classification of Financial Assets by Commercial Banks (Decree [2023] No. 1 of the China Banking and Insurance Regulatory Commission ("CBIRC") and the People's Bank of China ("PBC")) since 1 July 2023. During the reporting period, the Group classified the relevant financial assets into five categories, including: pass, special-mention, substandard, doubtful and loss, among which credit assets 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.

The Group has no financial assets recognized as "low risk" and subject to credit risk management in accordance with the relevant requirements of the Enterprise Accounting Standards.

#### Stage division

##### *Significant increase in credit risk ("SICR")*

The Group assesses on each balance sheet date whether the credit risk of the relevant financial assets has increased significantly since initial recognition. When considering the ECL stage of financial assets, the Group considering all reasonable and supportable information, including that which is forward-looking. The main factors to be considered are regulatory and operational environment, internal and external credit rating, solvency, operational capability, loan contract terms, repayment behaviour, etc.

The Group considers that there has been a significant increase in credit risk of financial instrument when one or more of the following quantitative, qualitative or upper limits criteria have been met:

##### Quantitative criteria:

The Group determines whether there has been a significant increase in credit risk since initial recognition by considering whether the credit risk rating has downgraded to a certain level, i.e. credit risk rating of counterparty for corporate loans and financial investments has downgraded to B or below since initial recognition as at the reporting date, or whether the probability of default ("PD") has increased significantly since initial recognition, i.e. for retail loans, the counterparty's PD is 8-10 times of initial PD as at the reporting date.

Qualitative criteria:

For corporate loans and financial investments, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operational results of the borrower
- Early signs of cashflow / liquidity problems such as delay in repayment of payables / loans

Upper limit:

If the borrower fails to make payment for more than 30 days after contractual payment date.

According to the relevant policies from regulators, the Group has carefully evaluated the deferred loan payment applications for whom are influenced by COVID-19 in order to offer temporary convenience for qualified borrowers. Meanwhile, the Group has analysed if the credit risks of the relevant financial assets will increase after the borrowers received their first approval, based on the policy of deferred loan payment, the repayment ability of borrowers, and other relevant factors.

*Default and credit-impaired*

When a financial asset is impaired, the Group defines it as in default. The Group defines a financial asset as credit impaired when it meets one or more of the following criteria:

Qualitative criteria:

The borrower meets “capability to repay is apparently in question” criteria, which indicates the borrower is in significant financial difficulty and examples include:

- The issuer or borrower is in significant financial difficulties
- The borrower has breached financial contract(s), such as past due of interest or principal repayments
- Concessions have been made by the lender relating to the borrower’s financial difficulty with consideration of economy and contract
- The borrower is likely to head towards bankruptcy or other debts restructuring
- Issuer or borrower’s financial difficulties lead to disappearance of active market for financial assets
- Financial assets are purchased or originated at substantial discount that reflects the incurred credit losses

Upper limit:

If the borrower fails to make payment for more than 90 days after contractual payment date.

The criteria above have been applied to all financial instruments held by the Group and are consistent with internal credit risk management purposes. The default definition has been consistently applied to establish models for the PD, Exposure at

Default (EAD) and Loss given Default (LGD) throughout the Group's ECL measurement.

#### 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.

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, and has formed forecasts of macroeconomic indicators under multiple scenarios such as standard, optimistic and pessimistic. The Group also establishes statistical relationship between actual PD and macro indicators for each model exposure, and calculates the actual default probability by using forecasted economic indicators.

The number and attributes of scenarios are reassessed at each reporting date. 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, and the baseline scenario weighting accounts for the highest proportion at the end of the period. The Group adopts the base and lifetime PD/LGD 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).

Macroeconomic information used by the Group includes macro indicators such as gross domestic product (GDP), consumer price index (CPI) and producer price index (PPI). The GDP year-on-year growth rate for 2023 under the standard scenario is 4.80%, and the GDP year-on-year growth rate for 2023 under the optimistic and pessimistic scenarios are formed by adjusting upward and downward by a certain level, respectively, from the standard scenario projections.

The Group considers these projections have represented the best estimate of the possible outcomes and analyses the non-linearities and asymmetries within the Group's different portfolios to determine that selected scenarios adequately represent scenarios that might occur. Similar to other economic projections, there are inherent uncertainties regarding estimates of projected values and likelihood of occurrence, thus substantial differences may occur between actual results and projections.

#### Combination method for evaluation of expected credit risk

When analysing the relevance of ECL with macroeconomic indicators, the Group has classified the assets with similar credit risk characteristics into the same portfolio. The Group has obtained sufficient information to ensure the statistical reliability for the portfolio classification. Where sufficient information is not available internally, the Group establishes the model with reference to internal or external supplementary data. The characteristics and any supplementary data used to determine portfolio classification are outlined below:

##### Corporate loans and financial investments

- Industry
- Collateral type

##### Retail loans

- Product type (i.e. mortgage loans, consumer loan and credit card)
- Repayment type
- Utilisation percentage range
- The range of mortgage rate (loan balance / collateral value)

### Assessment of ECLs on other receivables

Loss allowances for suspense accounts, margin deposits and other receivables are measured at an amount equal to lifetime ECLs. The Group uses the ECL model to calculate the ECLs on the above financial assets based on the historical credit loss experience, and the related methodology is the same as the "ECL measurement" in this section.

#### (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 2023 |                |                | <u>Total</u>     |
|---------------------------------------------------------------------|------------------|----------------|----------------|------------------|
|                                                                     | <u>Stage 1</u>   | <u>Stage 2</u> | <u>Stage 3</u> |                  |
| Cash and balances with central bank                                 | 530,798          | -              | -              | 530,798          |
| Deposits and placements with banks and other financial institutions | 529,700          | -              | -              | 529,700          |
| Financial assets purchased under resale agreements                  | 44,719           | -              | -              | 44,719           |
| Loans and advances to customers measured at                         |                  |                |                |                  |
| - Amortized cost                                                    | 4,314,830        | 178,093        | 33,241         | 4,526,164        |
| - FVOCI                                                             | 367,765          | 2,965          | 18             | 370,748          |
| Financial investments measured at                                   |                  |                |                |                  |
| - Amortized cost                                                    | 1,189,091        | 25,646         | 56,345         | 1,271,082        |
| - FVOCI                                                             | 614,041          | 1,497          | 2,479          | 618,017          |
| Other financial assets                                              | 58,330           | 137            | 3,313          | 61,780           |
| <b>Total</b>                                                        | <b>7,649,274</b> | <b>208,338</b> | <b>95,396</b>  | <b>7,953,008</b> |

|                                                                     | 31 December 2022 |                |                |                  |
|---------------------------------------------------------------------|------------------|----------------|----------------|------------------|
|                                                                     | <u>Stage 1</u>   | <u>Stage 2</u> | <u>Stage 3</u> | <u>Total</u>     |
| 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                                                               | <u>7,477,871</u> | <u>149,895</u> | <u>89,062</u>  | <u>7,716,828</u> |

|                             | 31 December<br>2023<br>Maximum exposure<br>to credit risk | 31 December<br>2022<br>Maximum exposure<br>to credit risk |
|-----------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Commitment and guarantee    |                                                           |                                                           |
| Bank acceptance notes       | 678,155                                                   | 727,909                                                   |
| Credit cards commitments    | 654,332                                                   | 658,618                                                   |
| Other loan commitments      | 298,859                                                   | 41,938                                                    |
| Letters of credit issued    | 261,413                                                   | 235,945                                                   |
| Letters of guarantee issued | 108,544                                                   | 109,469                                                   |
| Total                       | <u>2,001,303</u>                                          | <u>1,773,879</u>                                          |

#### *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<br>2023<br>Maximum exposure<br>to credit risk | 31 December<br>2022<br>Maximum exposure<br>to credit risk |
|-----------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Financial investments measured at FVTPL |                                                           |                                                           |
| Trading assets                          | 780,226                                                   | 708,984                                                   |
| Derivative financial assets             | 56,311                                                    | 42,829                                                    |
| Loans and advances to customers         | 7,784                                                     | 60,223                                                    |
| Total                                   | <u>844,321</u>                                            | <u>812,036</u>                                            |

(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 2023, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 101,538 million (31 December 2022: RMB 86,212 million), in which the loans covered by collaterals are amounting to RMB 51,023 million (31 December 2022: RMB 33,530 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 2023       |                                                  |                                                           |                                                  |           |
|------------------------|--------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------|-----------|
|                        | Financial<br>investments<br>measured at<br>FVTPL | Financial<br>investments<br>measured at<br>amortized cost | Financial<br>investments<br>measured at<br>FVOCI | Total     |
| Medium or long<br>term |                                                  |                                                           |                                                  |           |
| AAA                    | 17,800                                           | 557,419                                                   | 192,382                                          | 767,601   |
| AA+ to AA-             | 29                                               | 5,276                                                     | 18,598                                           | 23,903    |
| A+ to A-               | 259                                              | 1,658                                                     | 17,586                                           | 19,503    |
| Below A-               | 14                                               | 6,549                                                     | 33,220                                           | 39,783    |
| Short term             |                                                  |                                                           |                                                  |           |
| AAA                    | 1,501                                            | 12,482                                                    | 2,986                                            | 16,969    |
| AA+ to AA-             | 383                                              | 155                                                       | 2,746                                            | 3,284     |
| A and below A          | 1,588                                            | 1,396                                                     | 22,233                                           | 25,217    |
| Unrated-Bonds          | 213,564                                          | 686,147                                                   | 328,266                                          | 1,227,977 |
|                        | 235,138                                          | 1,271,082                                                 | 618,017                                          | 2,124,237 |

| 31 December 2022       |                                               |                                                           |                                                  |           |
|------------------------|-----------------------------------------------|-----------------------------------------------------------|--------------------------------------------------|-----------|
|                        | Financial<br>investments<br>measured at FVTPL | Financial<br>investments<br>measured at<br>amortized cost | Financial<br>investments<br>measured at<br>FVOCI | Total     |
| Medium or long<br>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 |

## 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 Group's market risk management follows the principle of combining internal control with external supervision. Relevant business units are responsible for executing the daily control activities, together with the market risk management department, compliance department, and review department, form the three lines of defense for market risk management.

The Group measures market risk based on predetermined benchmarks. The major measurement approaches include stress testing, analysis on value at risk, back testing, gap analysis and sensitivity analysis etc. The market risk of new products and businesses should be identified before these new products and businesses are launched according to relevant policies.

### (1) Currency risk

The Group mainly operates in the PRC and its main business activities are conducted in RMB. Majority of its foreign currency business are conducted in USD. The table below summarises the Group's exposure to currency risk. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorised by original currency.



|                                                                     | 31 December 2023 |                        |                        |                           |                          |
|---------------------------------------------------------------------|------------------|------------------------|------------------------|---------------------------|--------------------------|
|                                                                     | <u>RMB</u>       | <u>USD</u><br>Into RMB | <u>HKD</u><br>Into RMB | <u>Others</u><br>Into RMB | <u>Total</u><br>Into RMB |
| Cash and deposits with central bank                                 | 496,759          | 39,332                 | 705                    | 335                       | 537,131                  |
| Deposits and placements with banks and other financial institutions | 432,315          | 79,407                 | 3,841                  | 14,137                    | 529,700                  |
| Derivative financial assets                                         | 53,257           | 3,020                  | 9                      | 25                        | 56,311                   |
| Financial assets purchased under resale agreements                  | 34,151           | 10,568                 | -                      | -                         | 44,719                   |
| Loans and advances to customers                                     | 4,743,406        | 115,548                | 29,967                 | 15,775                    | 4,904,696                |
| Financial investments:                                              |                  |                        |                        |                           |                          |
| - FVTPL                                                             | 771,404          | 8,811                  | -                      | 11                        | 780,226                  |
| - AC                                                                | 1,255,468        | 14,776                 | 691                    | 147                       | 1,271,082                |
| - FVOCI                                                             | 503,395          | 111,498                | 4,580                  | 5,274                     | 624,747                  |
| Other financial assets                                              | 55,857           | 4,652                  | 1,268                  | 3                         | 61,780                   |
| Total financial assets                                              | <u>8,346,012</u> | <u>387,612</u>         | <u>41,061</u>          | <u>35,707</u>             | <u>8,810,392</u>         |
| Borrowing from central bank                                         | 235,242          | -                      | -                      | -                         | 235,242                  |
| Deposits and placements from banks and other financial institutions | 1,162,938        | 94,148                 | 16,818                 | 12,592                    | 1,286,496                |
| Financial liabilities measured at FVTPL                             | 10,207           | -                      | -                      | -                         | 10,207                   |
| Derivative financial liabilities                                    | 50,979           | 1,299                  | 9                      | 6                         | 52,293                   |
| Financial assets sold under repurchase agreement                    | 502,717          | 16,338                 | -                      | 729                       | 519,784                  |
| Deposits from customers                                             | 4,811,052        | 228,368                | 16,448                 | 4,476                     | 5,060,344                |
| Debt securities issued                                              | 986,427          | 23,200                 | 1,939                  | 87                        | 1,011,653                |
| Lease Liabilities                                                   | 5,888            | 3                      | 914                    | 66                        | 6,871                    |
| Other financial liabilities                                         | 27,199           | 2,258                  | 502                    | 1,282                     | 31,241                   |
| Total financial liabilities                                         | <u>7,792,649</u> | <u>365,614</u>         | <u>36,630</u>          | <u>19,238</u>             | <u>8,214,131</u>         |
| Net position of financial instruments                               | <u>553,363</u>   | <u>21,998</u>          | <u>4,431</u>           | <u>16,469</u>             | <u>596,261</u>           |
| Currency derivatives                                                | <u>25,055</u>    | <u>(16,115)</u>        | <u>(761)</u>           | <u>(11,567)</u>           | <u>(3,388)</u>           |
| Credit commitments                                                  | <u>1,955,729</u> | <u>34,139</u>          | <u>6,134</u>           | <u>5,301</u>              | <u>2,001,303</u>         |

|                                                                     | 31 December 2022 |                        |                        |                           |                          |
|---------------------------------------------------------------------|------------------|------------------------|------------------------|---------------------------|--------------------------|
|                                                                     | <u>RMB</u>       | <u>USD</u><br>Into RMB | <u>HKD</u><br>Into RMB | <u>Others</u><br>Into RMB | <u>Total</u><br>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                                              | <u>8,003,150</u> | <u>436,716</u>         | <u>56,794</u>          | <u>45,618</u>             | <u>8,542,278</u>         |
| 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                             | 10,238           | -                      | -                      | -                         | 10,238                   |
| 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                                         | <u>7,356,060</u> | <u>420,371</u>         | <u>46,010</u>          | <u>32,785</u>             | <u>7,855,226</u>         |
| Net position of financial instruments                               | <u>647,090</u>   | <u>16,345</u>          | <u>10,784</u>          | <u>12,833</u>             | <u>687,052</u>           |
| Currency derivatives                                                | <u>15,543</u>    | <u>(12,119)</u>        | <u>(6,085)</u>         | <u>(6,027)</u>            | <u>(8,688)</u>           |
| Credit commitments                                                  | <u>1,707,794</u> | <u>55,080</u>          | <u>4,890</u>           | <u>6,115</u>              | <u>1,773,879</u>         |

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 2023            |    | 31 December 2022            |    |
|---------------------------------|-----------------------------|----|-----------------------------|----|
|                                 | Exchange rate fluctuation % |    | Exchange rate fluctuation % |    |
| (Decrease) /<br>Increase        | -1%                         | 1% | -1%                         | 1% |
| USD against RMB                 | (44)                        | 44 | (32)                        | 32 |
| Other currencies<br>against RMB | (64)                        | 64 | (86)                        | 86 |

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.

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, 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 in the banking book. 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 in the banking book indicators within the risk appetite of the Board of Directors and kept sustainable operation.

The table below summarises the Group's exposures to interest rate risk. The table presents the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

|                                                                     | 31 December 2023      |                      |                       |                     |                     |                             |                  |
|---------------------------------------------------------------------|-----------------------|----------------------|-----------------------|---------------------|---------------------|-----------------------------|------------------|
|                                                                     | <u>Within a month</u> | <u>1 to 3 months</u> | <u>3 to 12 months</u> | <u>1 to 5 years</u> | <u>Over 5 years</u> | <u>Non-interest bearing</u> | <u>Total</u>     |
| Assets                                                              |                       |                      |                       |                     |                     |                             |                  |
| Cash and deposits with central bank                                 | 524,207               | -                    | -                     | -                   | -                   | 12,924                      | 537,131          |
| Deposits and placements with banks and other financial institutions | 142,945               | 85,660               | 265,578               | 30,727              | -                   | 4,790                       | 529,700          |
| Derivative financial assets                                         | -                     | -                    | -                     | -                   | -                   | 56,311                      | 56,311           |
| Financial assets purchased under resale agreements                  | 38,376                | 5,913                | 354                   | -                   | -                   | 76                          | 44,719           |
| Loans and advances to customers                                     | 1,049,042             | 839,142              | 2,109,744             | 784,271             | 107,131             | 15,366                      | 4,904,696        |
| Financial investments measured at:                                  |                       |                      |                       |                     |                     |                             |                  |
| - FVTPL                                                             | 14,925                | 16,307               | 44,281                | 32,693              | 13,855              | 658,165                     | 780,226          |
| - Amortized cost                                                    | 109,745               | 37,224               | 104,277               | 449,164             | 552,955             | 17,717                      | 1,271,082        |
| - FVOCI                                                             | 11,889                | 24,925               | 108,668               | 332,444             | 132,652             | 14,169                      | 624,747          |
| Other financial assets                                              | 3,628                 | -                    | 21,448                | -                   | -                   | 36,704                      | 61,780           |
| Total financial assets                                              | <u>1,894,757</u>      | <u>1,009,171</u>     | <u>2,654,350</u>      | <u>1,629,299</u>    | <u>806,593</u>      | <u>816,222</u>              | <u>8,810,392</u> |
| Liabilities                                                         |                       |                      |                       |                     |                     |                             |                  |
| Borrowing from central bank                                         | 11,931                | 43,220               | 177,947               | -                   | -                   | 2,144                       | 235,242          |
| Deposits and placements from banks and other financial institutions | 983,507               | 119,712              | 165,830               | 7,039               | 5,246               | 5,162                       | 1,286,496        |
| Financial liabilities measured at FVTPL                             | -                     | -                    | -                     | -                   | -                   | 10,207                      | 10,207           |
| Derivative financial liabilities                                    | -                     | -                    | -                     | -                   | -                   | 52,293                      | 52,293           |
| Financial assets sold under repurchase agreements                   | 427,039               | 29,481               | 63,009                | -                   | -                   | 255                         | 519,784          |
| Deposits from customers                                             | 2,886,979             | 437,437              | 737,225               | 922,981             | 8                   | 75,714                      | 5,060,344        |
| Debt securities issued                                              | 42,718                | 221,995              | 483,405               | 176,795             | 81,079              | 5,661                       | 1,011,653        |
| Lease Liabilities                                                   | 319                   | 438                  | 1,938                 | 3,977               | 199                 | -                           | 6,871            |
| Other financial liabilities                                         | 408                   | 1,526                | 1,916                 | -                   | -                   | 27,391                      | 31,241           |
| Total financial liabilities                                         | <u>4,352,901</u>      | <u>853,809</u>       | <u>1,631,270</u>      | <u>1,110,792</u>    | <u>86,532</u>       | <u>178,827</u>              | <u>8,214,131</u> |
| Total interest repricing gap                                        | <u>(2,458,144)</u>    | <u>155,362</u>       | <u>1,023,080</u>      | <u>518,507</u>      | <u>720,061</u>      | <u>637,395</u>              | <u>596,261</u>   |

|                                                                     | 31 December 2022   |                  |                  |                  |                | Non-interest bearing | Total            |
|---------------------------------------------------------------------|--------------------|------------------|------------------|------------------|----------------|----------------------|------------------|
|                                                                     | Within a month     | 1 to 3 months    | 3 to 12 months   | 1 to 5 years     | Over 5 years   |                      |                  |
| <b>Assets</b>                                                       |                    |                  |                  |                  |                |                      |                  |
| 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           |
| <b>Total financial assets</b>                                       | <b>2,194,483</b>   | <b>747,710</b>   | <b>2,332,679</b> | <b>1,890,341</b> | <b>641,067</b> | <b>735,998</b>       | <b>8,542,278</b> |
| <b>Liabilities</b>                                                  |                    |                  |                  |                  |                |                      |                  |
| 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                             | -                  | -                | -                | -                | -              | 10,238               | 10,238           |
| 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           |
| <b>Total financial liabilities</b>                                  | <b>3,972,595</b>   | <b>885,513</b>   | <b>1,597,497</b> | <b>1,121,882</b> | <b>121,675</b> | <b>156,064</b>       | <b>7,855,226</b> |
| <b>Total interest repricing gap</b>                                 | <b>(1,778,112)</b> | <b>(137,803)</b> | <b>735,182</b>   | <b>768,459</b>   | <b>519,392</b> | <b>579,934</b>       | <b>687,052</b>   |

Note: The above financial assets listed as within one month include overdue amounts as of December 31, 2023 and December 31, 2022 (excluding impairment provisions).

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 2023                            |          | 31 December 2022                            |         |
|------------------------------------------------------------------------|---------------------------------------------|----------|---------------------------------------------|---------|
|                                                                        | Interest rate fluctuation<br>(Basis points) |          | Interest rate fluctuation<br>(Basis points) |         |
|                                                                        | -100                                        | +100     | -100                                        | +100    |
| Increase / (decrease) in<br>net profit                                 | 2,454                                       | (2,454)  | 3,487                                       | (3,487) |
| Increase / (decrease) in<br>other comprehensive<br>income under equity | 13,036                                      | (12,292) | 8,213                                       | (7,703) |

The above sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's assets and liabilities within the one-year period.

- Except for current deposits, assets and liabilities, whose maturity dates are within three months or more than three months but will be repricing within one year, are assumed to be re-priced in the middle of each specified period;
- The interest rates of current deposits and statutory deposit reserves with central bank remain unchanged;
- The yield curve moves in parallel with interest rate;
- There are no changes in assets and liabilities at year end. Based on the assumptions, the actual change in net profit may be different from the sensitivity analysis results.

Based on the assumption of the parallel movement of the yield curve along with interest rate change, the sensitivity analysis of the equity is derived by remeasuring the fair value of debt instruments at fair value through other comprehensive income as a result of changes in interest rate with a certain percentage.

### 3 Liquidity risk

The Group's liquidity risk management is intended to meet the obligations to serve customers for withdrawal and payment, to achieve the balance between the total amount and structure of assets and liabilities; to reduce the liquidity cost, avoid liquidity crisis of the Group, and to effectively respond to systematic liquidity risk by active management.

The Group has established a relatively complete liquidity risk governance system. 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 predict 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.



|                                                                     | 31 December 2023               |                        |                      |                       |                     |                     |                |                    |                  |
|---------------------------------------------------------------------|--------------------------------|------------------------|----------------------|-----------------------|---------------------|---------------------|----------------|--------------------|------------------|
|                                                                     | <u>Repayable<br/>on demand</u> | <u>Within 1 months</u> | <u>1 to 3 months</u> | <u>3 to 12 months</u> | <u>1 to 5 years</u> | <u>Over 5 years</u> | <u>Overdue</u> | <u>No maturity</u> | <u>Total</u>     |
| <b>Assets</b>                                                       |                                |                        |                      |                       |                     |                     |                |                    |                  |
| Cash and deposits with central bank                                 | 212,708                        | -                      | 165                  | -                     | -                   | -                   | -              | 324,258            | 537,131          |
| Deposits and placements with banks and other financial institutions | 66,363                         | 78,809                 | 87,194               | 272,309               | 32,432              | -                   | -              | -                  | 537,107          |
| Financial assets purchased under resale agreements                  | -                              | 38,466                 | 5,990                | 360                   | -                   | -                   | -              | -                  | 44,816           |
| Loans and advances to customers                                     | -                              | 526,570                | 651,953              | 1,450,912             | 1,439,459           | 1,439,010           | 101,327        | -                  | 5,609,231        |
| Financial investments measured at:                                  |                                |                        |                      |                       |                     |                     |                |                    |                  |
| - FVTPL                                                             | 634,663                        | 8,164                  | 22,548               | 46,655                | 35,031              | 15,790              | 3,026          | 21,925             | 787,802          |
| - Amortized cost                                                    | -                              | 54,230                 | 43,127               | 129,695               | 554,973             | 665,505             | 83,533         | -                  | 1,531,063        |
| - FVOCI                                                             | -                              | 12,902                 | 27,883               | 125,609               | 374,256             | 144,568             | 183            | 6,730              | 692,131          |
| Other financial assets                                              | 40,387                         | -                      | -                    | -                     | -                   | -                   | 7,689          | 21,483             | 69,559           |
| <b>Total financial assets</b>                                       | <u>954,121</u>                 | <u>719,141</u>         | <u>838,860</u>       | <u>2,025,540</u>      | <u>2,436,151</u>    | <u>2,264,873</u>    | <u>195,758</u> | <u>374,396</u>     | <u>9,808,840</u> |
| <b>Liabilities</b>                                                  |                                |                        |                      |                       |                     |                     |                |                    |                  |
| Borrowing from central bank                                         | -                              | 12,245                 | 44,293               | 181,295               | -                   | -                   | -              | -                  | 237,833          |
| Deposits and placements from banks and other financial institutions | 791,484                        | 194,355                | 121,504              | 169,652               | 7,886               | 7,312               | -              | -                  | 1,292,193        |
| Financial liabilities measured at FVTPL                             | 1,780                          | -                      | -                    | 849                   | 4,352               | 3,226               | -              | -                  | 10,207           |
| Financial assets sold under repurchase agreements                   | -                              | 427,181                | 29,600               | 63,415                | -                   | -                   | -              | -                  | 520,196          |
| Deposits from customers                                             | 2,210,213                      | 709,106                | 452,075              | 772,045               | 1,047,980           | 10                  | -              | -                  | 5,191,429        |
| Debt securities issued                                              | -                              | 56,067                 | 227,407              | 488,500               | 246,928             | 91,736              | -              | -                  | 1,110,638        |
| Lease Liabilities                                                   | -                              | 319                    | 441                  | 1,967                 | 4,285               | 252                 | -              | -                  | 7,264            |
| Other financial liabilities                                         | 26,393                         | 94                     | 1,768                | 2,354                 | 1,285               | 831                 | -              | -                  | 32,725           |
| <b>Total financial liabilities</b>                                  | <u>3,029,870</u>               | <u>1,399,367</u>       | <u>877,088</u>       | <u>1,680,077</u>      | <u>1,312,716</u>    | <u>103,367</u>      | <u>-</u>       | <u>-</u>           | <u>8,402,485</u> |
| <b>Net liquidity</b>                                                | <u>(2,075,749)</u>             | <u>(680,226)</u>       | <u>(38,228)</u>      | <u>345,463</u>        | <u>1,123,435</u>    | <u>2,161,506</u>    | <u>195,758</u> | <u>374,396</u>     | <u>1,406,355</u> |
| <b>Derivative financial instruments</b>                             |                                |                        |                      |                       |                     |                     |                |                    |                  |
| - Inflow                                                            | -                              | 147,599                | 118,700              | 197,506               | 42,847              | 47                  | -              | -                  | 506,699          |
| - Outflow                                                           | -                              | 147,392                | 117,101              | 197,523               | 42,119              | 75                  | -              | -                  | 504,210          |
| <b>Net value of derivative financial instruments</b>                | <u>-</u>                       | <u>207</u>             | <u>1,599</u>         | <u>(17)</u>           | <u>728</u>          | <u>(28)</u>         | <u>-</u>       | <u>-</u>           | <u>2,489</u>     |
| <b>Credit commitments</b>                                           | 672,462                        | 147,386                | 293,865              | 582,519               | 89,347              | 223,450             | -              | -                  | 2,009,029        |

|                                                                     | 31 December 2022       |                  |                  |                  |                  |                  |                |                |                  |
|---------------------------------------------------------------------|------------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|------------------|
|                                                                     | Repayable<br>on demand | Within 1 months  | 1 to 3 months    | 3 to 12 months   | 1 to 5 years     | Over 5 years     | Overdue        | No maturity    | Total            |
| <b>Assets</b>                                                       |                        |                  |                  |                  |                  |                  |                |                |                  |
| Cash and deposits with central bank                                 | 111,023                | -                | 171              | -                | -                | -                | -              | 345,895        | 457,089          |
| Deposits and placements with banks and other financial institutions | 126,368                | 23,613           | 74,486           | 209,369          | 96,200           | -                | -              | -              | 530,036          |
| Financial assets purchased under resale agreements                  | -                      | 111,474          | -                | -                | -                | -                | -              | -              | 111,474          |
| Loans and advances to customers                                     | -                      | 481,208          | 688,805          | 1,303,271        | 1,341,820        | 1,480,388        | 107,907        | -              | 5,403,399        |
| Financial investments measured at:                                  |                        |                  |                  |                  |                  |                  |                |                |                  |
| - FVTPL                                                             | 568,330                | 9,359            | 30,262           | 48,406           | 38,710           | 14,595           | 1,237          | 19,140         | 730,039          |
| - Amortized cost                                                    | -                      | 26,249           | 18,221           | 137,783          | 665,178          | 538,692          | 54,108         | -              | 1,440,231        |
| - FVOCI                                                             | -                      | 4,432            | 33,198           | 205,497          | 369,450          | 92,898           | 806            | 7,870          | 714,151          |
| Other financial assets                                              | 39,680                 | -                | -                | -                | -                | -                | 7,804          | 14,403         | 61,887           |
| <b>Total financial assets</b>                                       | <u>845,401</u>         | <u>656,335</u>   | <u>845,143</u>   | <u>1,904,326</u> | <u>2,511,358</u> | <u>2,126,573</u> | <u>171,862</u> | <u>387,308</u> | <u>9,448,306</u> |
| <b>Liabilities</b>                                                  |                        |                  |                  |                  |                  |                  |                |                |                  |
| Borrowing from central bank                                         | -                      | 2,038            | 21,707           | 144,173          | -                | -                | -              | -              | 167,918          |
| Deposits and placements from banks and other financial institutions | 564,341                | 166,617          | 154,116          | 139,124          | 5,695            | 293              | -              | -              | 1,030,186        |
| Financial liabilities measured at FVTPL                             | 6,646                  | -                | -                | -                | 3,099            | 493              | -              | -              | 10,238           |
| Financial assets sold under repurchase agreements                   | -                      | 283,708          | 42,375           | 24,471           | -                | -                | -              | -              | 350,554          |
| Deposits from customers                                             | 2,117,549              | 743,221          | 429,450          | 761,414          | 983,266          | 10               | -              | -              | 5,034,910        |
| Debt securities issued                                              | -                      | 63,442           | 322,760          | 586,704          | 341,481          | 137,072          | -              | -              | 1,451,459        |
| Lease Liabilities                                                   | -                      | 333              | 449              | 2,075            | 5,058            | 442              | -              | -              | 8,357            |
| Other financial liabilities                                         | 28,471                 | 36               | 1,256            | 1,529            | 1,468            | 720              | -              | -              | 33,480           |
| <b>Total financial liabilities</b>                                  | <u>2,717,007</u>       | <u>1,259,395</u> | <u>972,113</u>   | <u>1,659,490</u> | <u>1,340,067</u> | <u>139,030</u>   | <u>-</u>       | <u>-</u>       | <u>8,087,102</u> |
| <b>Net liquidity</b>                                                | <u>(1,871,606)</u>     | <u>(603,060)</u> | <u>(126,970)</u> | <u>244,836</u>   | <u>1,171,291</u> | <u>1,987,543</u> | <u>171,862</u> | <u>387,308</u> | <u>1,361,204</u> |
| <b>Derivative financial instruments</b>                             |                        |                  |                  |                  |                  |                  |                |                |                  |
| - Inflow                                                            | -                      | 80,568           | 67,008           | 127,188          | 42,081           | 97               | -              | -              | 316,942          |
| - Outflow                                                           | -                      | 80,133           | 66,653           | 124,007          | 40,822           | 56               | -              | -              | 311,671          |
| <b>Net value of derivative financial instruments</b>                | <u>-</u>               | <u>435</u>       | <u>355</u>       | <u>3,181</u>     | <u>1,259</u>     | <u>41</u>        | <u>-</u>       | <u>-</u>       | <u>5,271</u>     |
| <b>Credit commitments</b>                                           | 674,372                | 124,382          | 228,201          | 705,794          | 44,719           | 2,640            | -              | -              | 1,780,108        |

#### 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.

| 31 December 2023                                |            |            |           |         |           |
|-------------------------------------------------|------------|------------|-----------|---------|-----------|
|                                                 | Book Value | Fair Value |           |         |           |
|                                                 |            | Level 1    | Level 2   | Level 3 | Total     |
| Financial assets:                               |            |            |           |         |           |
| Financial investment measured at amortized cost | 1,271,082  | -          | 995,423   | 367,242 | 1,362,665 |
| Financial liabilities:                          |            |            |           |         |           |
| Debt securities issued                          | 1,011,653  | -          | 1,008,697 | -       | 1,008,697 |
| 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 |

(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 determined 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) Assets 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 2023 |                  |                |                  |
|----------------------------------------------------------------------|------------------|------------------|----------------|------------------|
|                                                                      | <u>Level 1</u>   | <u>Level 2</u>   | <u>Level 3</u> | <u>Total</u>     |
| Financial investments:                                               |                  |                  |                |                  |
| Financial investments measured at FVTPL                              |                  |                  |                |                  |
| - Fund                                                               | 433,741          | 643              | 222            | 434,606          |
| - Bonds                                                              | 29               | 99,269           | 1,096          | 100,394          |
| - Beneficiary certificates                                           | -                | 39,723           | -              | 39,723           |
| - Equity                                                             | 2,904            | -                | 14,425         | 17,329           |
| - Fund trust and asset management plan                               | -                | 10,563           | 4,238          | 14,801           |
| - Interbank Certificates of Deposit                                  | -                | 3,303            | -              | 3,303            |
| - ABS                                                                | -                | 2,210            | 80             | 2,290            |
| - Other                                                              | 80,614           | 75,879           | 11,287         | 167,780          |
| Financial investments measured at FVOCI                              |                  |                  |                |                  |
| - Bonds                                                              | 55,775           | 515,043          | -              | 570,818          |
| - Interbank Certificates of Deposit                                  | -                | 33,438           | -              | 33,438           |
| - ABS                                                                | -                | 6,302            | -              | 6,302            |
| - Repossessed equity instruments                                     | 1                | -                | 1,565          | 1,566            |
| - Asset management plan                                              | -                | -                | 20             | 20               |
| - Other equity investments                                           | -                | -                | 5,164          | 5,164            |
| Loans and advances to customers measured at:                         |                  |                  |                |                  |
| FVOCI                                                                |                  |                  |                |                  |
| - Discounted bills                                                   | -                | 308,160          | -              | 308,160          |
| - Trade financing                                                    | -                | 62,588           | -              | 62,588           |
| FVTPL                                                                |                  |                  |                |                  |
| - Discounted bills                                                   | -                | 5,662            | -              | 5,662            |
| - Trade financing                                                    | -                | 2,122            | -              | 2,122            |
| Derivative financial assets                                          | -                | 56,311           | -              | 56,311           |
| <b>Total financial assets</b>                                        | <u>573,064</u>   | <u>1,221,216</u> | <u>38,097</u>  | <u>1,832,377</u> |
| Derivative financial liabilities                                     | -                | 52,293           | -              | 52,293           |
| Financial liabilities measured at FVTPL                              |                  |                  |                |                  |
| - Financial liabilities associated with short selling of bonds       | 7,750            | -                | -              | 7,750            |
| - Interest of other unit holders in consolidated structured entities | 1,661            | 119              | 558            | 2,338            |
| - Financial liabilities related to precious metals                   | 119              | -                | -              | 119              |
| <b>Total financial liabilities</b>                                   | <u>9,530</u>     | <u>52,412</u>    | <u>558</u>     | <u>62,500</u>    |

|                                                                      | 31 December 2022 |                  |                |                  |
|----------------------------------------------------------------------|------------------|------------------|----------------|------------------|
|                                                                      | <u>Level 1</u>   | <u>Level 2</u>   | <u>Level 3</u> | <u>Total</u>     |
| Financial investments:                                               |                  |                  |                |                  |
| Financial investments measured at FVTPL                              |                  |                  |                |                  |
| - Fund                                                               | 356,881          | 428              | 876            | 358,185          |
| - Bonds                                                              | 1,609            | 104,312          | 853            | 106,774          |
| - Beneficiary certificates                                           | -                | 20,348           | -              | 20,348           |
| - Equity                                                             | 3,844            | -                | 15,296         | 19,140           |
| - Fund trust and asset management plan                               | -                | 8,315            | 5,797          | 14,112           |
| - Interbank Certificates of Deposit                                  | -                | 5,296            | -              | 5,296            |
| - ABS                                                                | -                | 4,683            | -              | 4,683            |
| - Other                                                              | 86,696           | 86,057           | 7,693          | 180,446          |
| 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                                                                |                  |                  |                |                  |
| - Discounted bills                                                   | -                | 50,961           | -              | 50,961           |
| - Trade financing                                                    | -                | 9,262            | -              | 9,262            |
| Derivative financial assets                                          | -                | 42,829           | -              | 42,829           |
| <b>Total financial assets</b>                                        | <u>500,104</u>   | <u>1,385,228</u> | <u>38,183</u>  | <u>1,923,515</u> |
| Derivative financial liabilities                                     | -                | 37,526           | -              | 37,526           |
| Financial liabilities measured at FVTPL                              |                  |                  |                |                  |
| - Financial liabilities associated with short selling of bonds       | 6,430            | 101              | 474            | 7,005            |
| - Interest of other unit holders in consolidated structured entities | 3,099            | -                | -              | 3,099            |
| - Financial liabilities related to precious metals                   | 134              | -                | -              | 134              |
| <b>Total financial liabilities</b>                                   | <u>9,663</u>     | <u>37,627</u>    | <u>474</u>     | <u>47,764</u>    |

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<br>investments<br>measured at<br>FVTPL | Financial<br>investments<br>measured at<br>FVOCI | Financial<br>liabilities<br>measured at<br>FVTPL | Total    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|----------|
| 1 January 2023                                                                                                                                              | 30,515                                           | 7,668                                            | (474)                                            | 37,709   |
| Additions                                                                                                                                                   | 14,003                                           | 20                                               | (508)                                            | 13,515   |
| Disposals and<br>settlements                                                                                                                                | (12,661)                                         | -                                                | 493                                              | (12,168) |
| Total gains / (losses)<br>recorded in profit<br>or loss                                                                                                     | (509)                                            | -                                                | (69)                                             | (578)    |
| Total gains / (losses)<br>recorded in other<br>comprehensive<br>income                                                                                      | -                                                | (939)                                            | -                                                | (939)    |
| 31 December 2023                                                                                                                                            | 31,348                                           | 6,749                                            | (558)                                            | 37,539   |
| Unrealised gains or<br>losses recognised<br>in profit or loss for<br>the year ended 31<br>December 2023 for<br>the positions held<br>at 31 December<br>2023 | (1,367)                                          | -                                                | (34)                                             | (1,401)  |

|                                                                                                                                                             | Financial<br>investments<br>measured at<br>FVTPL | Financial<br>investments<br>measured at<br>FVOCI | Financial<br>liabilities<br>measured at<br>FVTPL | Total   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|---------|
| 1 January 2022                                                                                                                                              | 26,672                                           | 6,690                                            | (514)                                            | 32,848  |
| Additions                                                                                                                                                   | 8,067                                            | 996                                              | (747)                                            | 8,316   |
| Disposals and<br>settlements                                                                                                                                | (4,466)                                          | (2)                                              | 634                                              | (3,834) |
| Total gains / (losses)<br>recorded in profit<br>or loss                                                                                                     | 242                                              | -                                                | 153                                              | 395     |
| Total gains / (losses)<br>recorded in other<br>comprehensive<br>income                                                                                      | -                                                | (16)                                             | -                                                | (16)    |
| 31 December 2022                                                                                                                                            | 30,515                                           | 7,668                                            | (474)                                            | 37,709  |
| Unrealised gains or<br>losses recognised<br>in profit or loss for<br>the year ended 31<br>December 2022 for<br>the positions held<br>at 31 December<br>2022 | (303)                                            | -                                                | 37                                               | (266)   |



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

| <u>31 December 2023</u>                                              | <u>Fair value</u> | <u>Valuation method</u>                      | <u>Unobservable inputs</u>      |
|----------------------------------------------------------------------|-------------------|----------------------------------------------|---------------------------------|
| Financial investments:                                               |                   |                                              |                                 |
| Financial investments measured at FVTPL                              |                   |                                              |                                 |
| - Fund                                                               | 222               | Refer to recent transactions Income approach | Liquidity discount              |
| - Bonds                                                              | 1,096             | Income approach                              | Discount rate                   |
| - Fund trust and asset management plan                               | 4,238             | Income approach                              | Discount rate                   |
| - Equity                                                             | 11,895            | Income approach                              | Discount rate                   |
|                                                                      | 2,530             | Refer to recent transactions Income approach | Liquidity discount              |
| - ABS                                                                | 80                | Refer to recent transactions Income approach | Discount rate                   |
| - Other                                                              | 11,287            | Refer to recent transactions                 | Liquidity discount              |
|                                                                      | <u>31,348</u>     |                                              |                                 |
| Financial investments measured at FVOCI                              |                   |                                              |                                 |
| - Fund trust and asset management plan                               | 20                | Income approach                              | Discount rate                   |
| - Repossessed equity instruments                                     | 1,104             | Market approach                              | Liquidity discount<br>P/B ratio |
|                                                                      | 457               | Net Asset Based Method                       | Discount rate                   |
|                                                                      | 4                 | Discounted cash flow method                  | Liquidity discount              |
| - Other equity investments                                           | 4,093             | Market approach                              | Liquidity discount<br>P/B ratio |
|                                                                      | 956               | Net Asset Based Method                       | Liquidity discount              |
|                                                                      | 115               | Income approach                              | Discount rate                   |
|                                                                      | <u>6,749</u>      |                                              |                                 |
| Financial liabilities measured at FVTPL                              |                   |                                              |                                 |
| - Interest of other unit holders in consolidated structured entities | <u>558</u>        | Note 1                                       | Note 1                          |

| <u>31 December 2022</u>                                              | <u>Fair value</u> | <u>Valuation method</u>      | <u>Unobservable inputs</u>      |
|----------------------------------------------------------------------|-------------------|------------------------------|---------------------------------|
| 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              |
| - Other                                                              | 7,693             | Refer to recent transactions | Liquidity discount              |
|                                                                      | <u>30,515</u>     |                              |                                 |
| Financial investments measured at FVOCI                              |                   |                              |                                 |
| - Repossessed equity instruments                                     | 1,704             | Market approach              | Liquidity discount<br>P/B ratio |
|                                                                      | 794               | Net Asset Based Method       | Liquidity discount              |
| - Other equity investments                                           | 956               | Market approach              | Liquidity discount<br>P/B ratio |
|                                                                      | 4,093             | Net Asset Based Method       | Liquidity discount              |
|                                                                      | 121               | Income approach              | Discount rate                   |
|                                                                      | <u>7,668</u>      |                              |                                 |
| Financial liabilities measured at FVTPL                              |                   |                              |                                 |
| - Interest of other unit holders in consolidated structured entities | <u>474</u>        | Note 1                       | Note 1                          |

Note1: The fair value of the interest of other unit holders in consolidated structured entities is the amount attributable to the investor of the structured entity based on the net value of the structured entity.

## 5 Offsetting of financial assets and financial liabilities

Some financial assets and financial liabilities in the Group follow executable net amount settlement arrangements or similar agreements. Such arrangements with the Group and counterparties normally allow the net amount settlement under agreements of both parties. If no agreement is reached, it would be settled in full amount. But one party could choose to settle in net amount under the condition that the other party violates the agreement. According to the requirements of the Accounting Standards for Business Enterprises, the Group did not offset these financial assets and financial liabilities.

As at 31 December 2023, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

## 6 Capital management

The objectives of the Group's capital management are to:

- (1) Satisfy regulatory requirements for capital adequacy ratio on an ongoing basis, ensure operational compliance to ultimately optimise capital stock and structure.
- (2) Ensure adequate capital for resisting corresponding risks, realise the operational safety, and keep capital at an adequate and reasonable level.
- (3) Establish a capital allocation and management system that focuses on economic capital, optimise the resource allocation and management control mechanism at the Group level, achieve capital intensive management to ultimately maximise shareholders' value.

The Group manages its capital structure and adjust it based on the changes in economic condition and the risk characteristics. Generally, the mechanism of adjusting the capital structure comprises dividend distribution policies and issuance of additional capital instruments such as tier 1 capital instruments and tier 2 capital instruments, etc.

As at 31 December 2023, commercial banks in China 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 related regulatory departments 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 2023, the bank was identified as systemically important banks in Group II. Therefore, after considering the additional capital requirements of systemically important banks, the Group should meet the minimum requirement of 8% of core tier 1 capital adequacy, 9% of tier 1 capital adequacy and 11% of capital adequacy.

|                                    | The Group        |                  |
|------------------------------------|------------------|------------------|
|                                    | 31 December 2023 | 31 December 2022 |
| Core tier 1 capital - net          | 597,925          | 568,299          |
| Tier 1 capital - net               | 708,482          | 678,802          |
| Capital - net                      | 844,452          | 843,761          |
| Total risk weighted assets         | 6,667,213        | 6,182,036        |
| Core tier 1 capital adequacy ratio | 8.97%            | 9.19%            |
| Tier 1 capital adequacy ratio      | 10.63%           | 10.98%           |
| Capital adequacy ratio             | 12.67%           | 13.65%           |

- (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, the net amount of goodwill after deducting related deferred tax liabilities and other net deferred tax assets dependent on future bank profits (threshold deduction items).
- (4) The Group's other Tier 1 Capital includes preference shares, Perpetual bond and minority interests to the extent permitted by the capital rules.
- (5) The Group's Tier 2 Capital includes: Tier 2 capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests to the extent permitted by the capital rules.
- (6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk weighted Assets and Operational Risk-weighted Assets respectively.

## IX ASSET PLEDGED AS COLLATERAL

Certain assets of the Group are pledged as collateral for financial liabilities, and the analysis of these assets are as follows:

|                       | 31 December 2023 | 31 December 2022 |
|-----------------------|------------------|------------------|
| Financial investments | 958,711          | 579,699          |
| Discounted bills      | 87,619           | 105,024          |
| Bank loans            | 2,143            | 648              |
| Total                 | 1,048,473        | 685,371          |

Apart from the pledges mentioned above, the Group had insignificant amounts of assets with restricted ownership or usage for mortgages, seizures, freezes and detainments at the end of 2023 (at the end of 2022: the amounts were insignificant).

## **X EVENTS AFTER THE REPORTING DATE**

### **1 Profit distribution plan**

The Bank convened the board of directors on 26 April 2024, approved the profit distribution plan for 2023 and submitted it to the annual general meeting for consideration and approval.

## **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.