Shanghai Pudong Development Bank Co., Ltd.

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

English translation of the Financial Statements

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

Independent Auditor's Report
To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

KPMG Huazhen Shenzi NO. 2204410

Opinion

We have audited the financial statements of Shanghai Pudong Development Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 1 to 140, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2021, the consolidated and the Bank's statement of profit or loss and other comprehensive income, the consolidated and the Bank's statement of changes in equity and the consolidated and the Bank's statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

Measurement of expected credit losses ("ECL") for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments involves significant management judgments. The Group established internal controls for the ECL measurement.	Our audit procedures to assess ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments included the following: • Understanding and evaluating the design and operating effectiveness of the key internal controls over financial reporting related to ECL measurement for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments: - Understanding and evaluating the design and operating effectiveness of the key internal controls of the financial reporting process, including credit approval, recording, monitoring, periodic re-evaluation of credit grading, and the accrual of loss allowance; in particular, we assessed the design and operating effectiveness of the key internal controls over financial reporting related to the classification of loans by credit quality across all stages, financial investment at amortized cost, credit quality of financial guarantees and loan commitments; - Understanding and evaluating the design and operating effectiveness of information system controls, including: general information technology control, completeness of key internal historical data, inter-system data transmission, mapping of parameters of ECL model, and system calculation logic of loss allowance for ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments, based on the works of our Information Technology Risk Management ("IRM") Specialists and Financial Risk Management ("FRM") Specialists;

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group assesses whether the credit risks of loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments have increased significantly since their initial recognition, and applies a three – stage impairment model to measure their ECL. For loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.	• Evaluating the reliability of ECL models and parameters used, including prudently evaluating probability of default, loss given default, exposure at default, discount rate, forwar adjustment and other adjustment factors, and evaluating the reasonableness of key management jugments involved, based on the work of FRM Specialists including whether the macro-economy condition under the impact of COVID-19 has been taken into account or not; • Evaluating the completeness and accuracy of key data used by the ECL models. For key internal data related to the original business files, we compared the respective amount of loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments used by the management to evaluate the loss allowances with the general ledger amounts, in order to assess the completeness of lists. Select samples and compare the information of the loans and advances to customers and financial investment at amortized cost, financial guarantees and loan commitments with relevant agreements and other relevant documents to assess the accuracy of the lists. For key external data, we compared it with public information to check its accuracy; • Evaluating key parameters involving subjective judgments by seeking evidence from external sources and comparing it with internal records including historical loss scenarios and security types. As part of these procedures, we inquired management about the reasons for modifictions of key estimates and parameters input, and assessed the consistency of judgement used by management;

Key audit matters (continued)

<table>
<tr><td colspan="2">Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</td></tr>
<tr><td colspan="2">Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following:

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

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

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

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

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

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

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Measurement of ECL for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments is subject to inherent uncertainty and involves management judgments, and has an important influence on operation conditions and capital positions of the Group. In view of these reasons, we identified ECL measurement as a key audit matter.	• Performing credit reviews for the selected credit impaired loans and advances to customers and financial investment at amortized cost by assessing the forecast of recoverable cash flows through inquiry, applying professional judgment and performing independent research. We also evaluated the timing and realisation method of collaterals and considered other sources of repayment asserted by the management. We Assessed the consistency of the application of key assumptions made by the management and compared the assumptions with our data sources; • Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group; • According to the relevant accounting standards, evaluate the reasonableness of the information disclosure of financial statements in terms of loans and advances to customers, financial investments measured at amortised cost, financial guarantee contracts and loan commitments.

Key audit matters (continued)

<table>
<tr><td colspan="2">Consolidation of structured entities</td></tr>
<tr><td colspan="2">Refer to Notes II.4(1) and III.37 to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

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

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

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

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

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

Key audit matters (continued)

Consolidation of structured entities (continued)	
Refer to Notes II.4(1) and III.37 to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.	• Selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected (continued): - Evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity; - Assessing management's judgement over whether the structured entity should be consolidated or not; • Evaluating the disclosures relating to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key audit matters (continued)

<table>
<tr><th colspan="2">Assessment of the fair value of financial instruments</th></tr>
<tr><td colspan="2">Refer to Notes II.4(8), II.4(22) and VIII.4 to the financial statements.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

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

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by IASB, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shi Hai Yun.

KPMG Huazhen LLP

Beijing, the People's Republic of China
April 26, 2022

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

		The Group		The Bank	
	Note	2021	2020	2021	2020
Interest income		300,693	294,985	295,132	290,103
Interest expense		(164,735)	(156,404)	(161,564)	(153,741)
Net interest income	III.1	135,958	138,581	133,568	136,362
Fee and commission income		39,847	44,257	35,488	40,158
Fee and commission expense		(10,713)	(10,311)	(10,778)	(10,409)
Net fee and commission income	III.2	29,134	33,946	24,710	29,749
Net trading profit or loss	III.3	20,115	17,620	19,125	15,051
Net gains or losses arising from financial investments	III.4	2,276	3,219	2,332	3,208
Other net operating income		3,417	3,055	586	729
Operating expenses	III.5	(53,708)	(50,425)	(48,830)	(46,097)
Impairment losses	III.6	(78,344)	(79,553)	(77,188)	(77,331)
Share of profits from associates and joint ventures		223	146	190	130
Profit before income tax		59,071	66,589	54,493	61,801
Income tax expense	III.7	(5,305)	(7,665)	(4,184)	(6,680)
Net profit		53,766	58,924	50,309	55,121
Net profit attributable to:					
Shareholders of the Bank		53,003	58,261	50,309	55,121
Non-controlling interests		763	663	-	-
Earnings per share attributable to the shareholders of the Bank:					
Basic earnings per share (expressed in RMB)	III.8	1.62	1.88		
Diluted earnings per share (expressed in RMB)	III.8	1.50	1.73		

The notes on pages 13 to 140 form an intergral part of these financial statements.

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

		The Group		The Bank	
	Note	2021	2020	2021	2020
Net profit		53,766	58,924	50,309	55,121
Other comprehensive income	III.34				
Items that may be reclassified to profit or loss					
Changes in fair value of other debt investments		1	-	1	-
Changes in fair value of debt investments at fair value through other comprehensive income		(437)	(3,529)	(102)	(3,401)
Credit impairment allowance of debt investments at fair value through other comprehensive income		(673)	755	(439)	484
Cash flow hedge reserve		29	(4)	5	2
Exchange differences from the translations of foreign operations		(101)	(184)	7	(61)
Item that will not be reclassified to profit or loss					
Changes in fair value of equity investments at fair value through other comprehensive income		28	(345)	28	(345)
Other comprehensive income,net of tax		(1,153)	(3,307)	(500)	(3,321)
Total comprehensive income		52,613	55,617	49,809	51,800
Total comprehensive income attributable to：					
Shareholder of the Bank		51,848	54,970	49,809	51,800
Non-controlling interests		765	647	-	-

The notes on pages 13 to 140 form an intergral part of these financial statements.

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

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Assets					
Cash and deposits with central bank	III.9	420,996	489,088	416,110	484,262
Deposits and placements with banks and other financial institutions	III.10	433,781	385,927	425,421	382,406
Precious metals		13,151	44,969	13,151	44,969
Derivative financial assets	III.11	33,773	63,589	33,756	63,589
Financial assets purchased under resale agreements	III.12	117	36,526	101	36,526
Loans and advances to customers	III.13	4,690,954	4,430,228	4,594,234	4,339,333
Financial investments:	III.14				
-Financial investments at fair value through profit or loss		526,034	549,149	487,998	514,468
-Financial investments at amortized cost		1,306,188	1,169,777	1,304,324	1,167,536
-Financial investments at fair value through other comprehensive income		486,701	583,621	482,376	577,343
Investments in associates and joint ventures	III.15	2,819	2,401	2,513	2,127
Investments in controlled subsidiaries		-	-	24,307	24,307
Fixed assets	III.16	38,708	32,364	18,308	16,250
Right-of-use assets	III.17	8,560	8,446	8,118	8,005
Intangible assets	III.18	10,538	10,523	8,239	8,234
Goodwill	III.19	6,981	6,981	-	-
Deferred income tax assets	III.20	58,962	52,358	57,542	51,049
Other assets	III.21	98,494	92,210	92,763	85,388
Total assets		8,136,757	7,958,157	7,969,261	7,805,792

The notes on pages 13 to 140 form an intergral part of these financial statements.

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

	Note	The Group 31 December 2021	The Group 31 December 2020	The Bank 31 December 2021	The Bank 31 December 2020
Liabilities					
Borrowing from central bank		236,317	274,346	235,223	272,964
Deposits and placements from banks and other financial institutions	III.22	1,106,775	1,365,572	1,035,278	1,310,056
Financial liabilities at fair value through profit or loss	III.23	31,280	16,057	19,954	6,067
Derivative financial liabilities	III.11	29,528	61,146	29,507	61,137
Financial assets sold under repurchase agreements	III.24	174,219	232,346	170,038	225,425
Deposits from customers	III.25	4,463,608	4,122,407	4,431,975	4,090,341
Income tax payable		25,170	23,804	24,703	23,153
Debt securities issued	III.26	1,317,121	1,140,653	1,303,891	1,127,379
Deferred income tax liabilities	III.20	638	689	-	-
Lease liabilities	III.17	8,451	8,544	7,993	8,088
Provisions	III.27	6,275	5,280	6,272	5,276
Other liabilities	III.28	59,157	62,097	50,076	51,923
Total liabilities		7,458,539	7,312,941	7,314,910	7,181,809

The notes on pages 13 to 140 form an intergral part of these financial statements.

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

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Equity					
Share capital	III.29	29,352	29,352	29,352	29,352
Other equity instruments	III.30	112,691	112,691	112,691	112,691
Capital reserves	III.31	81,762	81,761	81,712	81,711
Surplus reserves	III.32	159,292	142,739	159,292	142,739
General risk reserve	III.33	90,993	79,640	89,000	78,000
Other reserves	III.34	2,821	3,976	2,849	3,349
Retained earnings	III.35	193,096	187,441	179,455	176,141
Equity attributable to the shareholders of the Bank		670,007	637,600	654,351	623,983
Non-controlling interests		8,211	7,616	-	-
Total equity		678,218	645,216	654,351	623,983
Total liabilities and equity		8,136,757	7,958,157	7,969,261	7,805,792

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

Chairman of the board of the directors: Zheng Yang

President: Pan Weidong

Chief Financial Officer: Wang Xinhao

Head of the finance and accounting department: Li Lianquan

The notes on pages 13 to 140 form an intergral part of these financial statements.

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

	Equity attributable to the shareholders of the Bank									
	Ordinary Shares	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 1 January 2021	29,352	112,691	81,761	142,739	79,640	3,976	187,441	637,600	7,616	645,216
Net profit	-	-	-	-	-	-	53,003	53,003	763	53,766
Other comprehensive income	-	-	-	-	-	(1,155)	-	(1,155)	2	(1,153)
Total comprehensive income	-	-	-	-	-	(1,155)	53,003	51,848	765	52,613
Equity increase due to issurance of convertible bonds	-	-	1	-	-	-	-	1	-	1
Appropriation to surplus reserves	-	-	-	16,553	-	-	(16,553)	-	-	-
Appropriation to general risk reserves	-	-	-	-	11,353	-	(11,353)	-	-	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(14,089)	(14,089)	-	(14,089)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)	-	(1,559)
Interests payment of perpetual bond	-	-	-	-	-	-	(3,794)	(3,794)	-	(3,794)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(170)	(170)
Balance at 31 December 2021	29,352	112,691	81,762	159,292	90,993	2,821	193,096	670,007	8,211	678,218

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Changes in Equity (continued)
as at 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Equity attributable to the shareholders of the Bank									
	Ordinary Shares	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 1 January 2020	29,352	62,698	81,760	125,805	76,249	7,267	170,197	553,328	7,191	560,519
Net profit	-	-	-	-	-	-	58,261	58,261	663	58,924
Other comprehensive income	-	-	-	-	-	(3,291)	-	(3,291)	(16)	(3,307)
Total comprehensive income	-	-	-	-	-	(3,291)	58,261	54,970	647	55,617
Issurance of capital bonds with unfixed terms	-	49,993	-	-	-	-	-	49,993	-	49,993
Equity increase due to issurance of convertible bonds	-	-	1	-	-	-	-	1	-	1
Non-controlling interests change due to subsidiaries' capital increase	-	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserves	-	-	-	16,934	-	-	(16,934)	-	-	-
Appropriation to general risk reserves	-	-	-	-	3,391	-	(3,391)	-	-	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(17,611)	(17,611)	-	(17,611)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,662)	(1,662)	-	(1,662)
Interests payment of perpetual bond	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(222)	(222)
Balance at 31 December 2020	29,352	112,691	81,761	142,739	79,640	3,976	187,441	637,600	7,616	645,216

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity (continued)
as at 31 December 2021
(Expressed in millions of RMB unless otherwise stated)

	Share capital	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2021	29,352	112,691	81,711	142,739	78,000	3,349	176,141	623,983
Net profit	-	-	-	-	-	-	50,309	50,309
Other comprehensive income	-	-	-	-	-	(500)	-	(500)
Total comprehensive income	-	-	-	-	-	(500)	50,309	49,809
Equity increase due to issurance of convertible bonds	-	-	1	-	-	-	-	1
Appropriations to surplus reserves	-	-	-	16,553	-	-	(16,553)	-
Appropriations to general risk reserve	-	-	-	-	11,000	-	(11,000)	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(14,089)	(14,089)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)
Interests payment of perpetual bond	-	-	-	-	-	-	(3,794)	(3,794)
Balance at 31 December 2021	29,352	112,691	81,712	159,292	89,000	2,849	179,455	654,351

The notes on pages 13 to 140 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity (continued)
as at 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Share capital	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2020	29,352	62,698	81,710	125,805	74,900	6,670	161,746	542,881
Net profit	-	-	-	-	-	-	55,121	55,121
Other comprehensive income	-	-	-	-	-	(3,321)	-	(3,321)
Total comprehensive income	-	-	-	-	-	(3,321)	55,121	51,800
Issurance of capital bonds with unfixed terms	-	49,993	-	-	-	-	-	49,993
Equity increase due to issurance of convertible bonds	-	-	1	-	-	-	-	1
Appropriations to surplus reserves	-	-	-	16,934	-	-	(16,934)	-
Appropriations to general risk reserve	-	-	-	-	3,100	-	(3,100)	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(17,611)	(17,611)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,662)	(1,662)
Interests payment of perpetual bond	-	-	-	-	-	-	(1,419)	(1,419)
Balance at 31 December 2020	29,352	112,691	81,711	142,739	78,000	3,349	176,141	623,983

The notes on pages 13 to 140 form an intergral part of these financial statements.

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

	The Group		The Bank	
	2021	2020	2021	2020
Cash flows from operating activities				
Profit before income tax	59,071	66,589	54,493	61,801
Adjustment for:				
Depreciation and amortization	7,261	6,736	6,004	5,541
Interest expense on lease liability	316	317	300	298
Assets impairment losses	78,344	79,553	77,188	77,331
Interest expense from debt securities issued	38,664	32,375	38,163	31,851
Interest income from financial investments	(64,623)	(61,795)	(64,144)	(61,321)
Net profit or loss on disposal of fixed assets	(26)	8	(26)	8
Share of profits from associates and joint ventures	(223)	(146)	(190)	(130)
Unrealized profit or loss on derivative financial instruments	(1,638)	(5,079)	(1,638)	(5,079)
Net profit or loss arising from financial investments	(2,276)	(3,219)	(2,332)	(3,208)
Net trading profit or loss	(9,865)	(8,386)	(9,250)	(6,934)
Foreign exchange gain or loss arising from investing and financing activities	(2)	13	(1)	12
Changes in operating assets:				
Statutory reserves with central bank	(704)	25,164	(736)	24,772
Deposits and placements with banks and other financial institutions	(43,360)	(66,608)	(41,022)	(64,018)
Financial assets held for trading	(5,512)	(22,022)	(600)	(18,485)
Financial assets purchased under resale agreements	(57)	832	(58)	832
Loans and advances to customers	(324,198)	(571,450)	(318,587)	(553,977)
Other operating assets	11,638	(29,797)	14,053	(26,267)

The notes on pages 13 to 140 form an intergral part of these financial statements.

(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2021	2020	2021	2020
Cash flows from operating activities (continued)				
Changes in operating liabilities:				
Borrowing from central bank	(37,284)	40,593	(36,997)	39,700
Deposits and placements from banks and other financial institutions	(257,708)	201,968	(273,634)	183,386
Financial assets sold under repurchase	(58,097)	4,810	(55,357)	(2,111)
Deposits from customers	326,572	448,631	327,094	444,637
Other operating liabilities	35,845	3,194	35,034	430
Cash (used in)/generated from operating activities before income tax payment	(247,862)	142,281	(252,243)	129,069
Income tax paid	(9,330)	(12,613)	(8,802)	(11,378)
Net cash (used in)/generated from operating activities	(257,192)	129,668	(261,045)	117,691
Cash flows from investing activities				
Proceeds from disposal and redemption of investments	1,556,457	1,926,503	1,552,560	1,887,873
Investment income received	73,018	85,243	72,096	84,681
Proceeds from disposal of fixed assets	425	309	130	242
Purchase of fixed assets, intangible assets and other long-term assets	(11,285)	(5,792)	(5,595)	(4,510)
Purchase of investment	(1,575,875)	(2,147,940)	(1,575,192)	(2,096,373)
Net cash generated from /(used in) in investing activities	42,740	(141,677)	43,999	(128,087)

The notes on pages 13 to 140 form an intergral part of these financial statements.

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

	The Group		The Bank	
	2021	2020	2021	2020
Cash flows from financing activities				
Cash from equity investment	-	-		-
Proceeds from issurance of bonds and interbank deposits	1,346,368	1,366,158	1,341,374	1,362,056
Repayment of bonds and interbank deposits issued	(1,170,787)	(1,179,103)	(1,165,786)	(1,176,093)
Cash paid for dividends, profit and interest of bond issued	(57,392)	(52,921)	(56,684)	(52,175)
Proceeds from other financing activities	(3,324)	(3,283)	(3,191)	(3,419)
Net cash generated from financing activities	114,865	130,851	115,713	130,369
Effect of exchange rate changes on cash and cash equivalents	(2,905)	(5,308)	(3,730)	(5,195)
Net (decrease)/increase in cash and cash equivalents	(102,492)	113,534	(105,063)	114,778
Cash and cash equivalents at the beginning of the year	318,618	205,084	312,615	197,837
Cash and cash equivalents at the end of the year	216,126	318,618	207,552	312,615
Cash flows from operating activities include:				
Interest received	248,518	247,891	241,904	242,799
Interest paid	(113,391)	(111,896)	(110,780)	(110,067)

Composition of cash and cash equivalents:	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash	5,470	5,356	5,338	5,214
Surplus resrves with central bank	73,454	143,283	70,405	140,336
Deposits and placements with banks and other financial institutions with original maturities no more than three months	137,167	133,484	131,791	130,570
Financial assets purchased under resale agreements with original maturities no more than three months	35	36,495	18	36,495
Total	216,126	318,618	207,552	312,615

The notes on pages 13 to 140 form an intergral part of these financial statements.

I General Information

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

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

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

The major subsidiaries are consolidated in the Bank's financial statements are disclosure in Note III. 38(1).

II Basis of preparation and accounting policies

1. Basis of preparation

The accounting year of the Group is from 1 January to 31 December.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Interpretations promulgated by the International Accounting Standards Board ("IASB"), on the basis of going concern.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL") and financial assets measured at fair value through other comprehensive income ("FVOCI"), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note II. 4(30).

2. Changes in significant accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards ("IASs"), and its amendments) that are effective in 2021 and relevant to the Group's operation.

- *IFRS 9 - Financial Instruments*,
- *IAS 39 - Financial Instruments: Recognition and measurement*,
- *IFRS 7 - Financial Instruments: Disclosures*: Interest Rate Benchmark Reform,
- *IFRS 14* - Regulatory Deferral Accounts
- *IFRS 16* – Leasing (Revised) Interest rate benchmark reform - Phase 2

The above new or amended IFRSs that are effective in 2021 has been initially adopted in the financial report. The initial adoption of the above amendments did not have any material impact on the financial position and financial performance of the Group.

3. Impact of issued but not yet effective International Financial Reporting Standards

The Group has not adopted the following new and revised IFRSs and IASs issued but not yet effective in the financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 14 and IFRS 16, (1)	Interest Rate Benchmark Reform-Phase 2
Amendments to IFRS 3(1)	Reference to the Conceptual Framework
Amendments to IAS 16(1)	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37(1)	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRS 1	Annual Improvements to IFRSs 2018-2020 Cycle(2)
Amendments to IFRS 9	
Amendments to IFRS 16 and IFRS 41	
Amendments to IFRS 17(2)	Insurance Contracts and amendments
Amendments to IAS 1(2)	Classification of liabilities as current or Non-current
Amendments to IAS 1(2) and IFRS 2	Disclosure of accounting policies
Amendments to IFRS 8(2)	Definition of accounting estimate
Amendments to IFRS 12(2)	Deferred tax related to assets and liabilities arising from single transaction
Amendments to IFRS 10 and IAS 28(4)	Sale or contribution of assets between an investor and its associate or joint venture

(1) Effective for accounting periods beginning on or after 1 January 2022.
(2) Effective for accounting periods beginning on or after 1 January 2023.
(3) Effective date to be determined.

The Group is in the process of making an assessment of what the impact of these amendments and improvements is expected to have on the financial position and financial performance of the Group.

4. Summary of significant accounting policies

(1) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost less impairment losses (see Note II. 4(20)).

(2) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to a parent.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(3) Associates and joint ventures

An associate is an entity in which the Group or Bank has significant influence.

A joint venture is an arrangement whereby the Group or Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's investments in associates or joint ventures are accounted for under the equity method of accounting. Under the equity method, an investment in an associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment losses. The consolidated statement of profit or loss reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

Under the equity method, unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see Note II.4(20)).

(4) Functional currency

The Group's functional currency is Renminbi and these financial statements are presented in Renminbi. Items included in the financial statements of each of the Group's operations oversea are measured using the currency of the primary economic environment in which the entity operates.Their financial statements have been translated based on the accounting policy set out in Note II.4(5).

(5) Foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or rates that approximate the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. For monetary items denominated in foreign currency and classified as financial assets measured at fair value and whose changes are included in other comprehensive income, the foreign currency translation difference is decomposed into the translation difference caused by the change of amortized cost and the translation difference caused by the change of other book amounts of these items. The translation difference arising from the change of amortized cost is included in the current profit and loss, and the translation difference arising from the change of other carrying amount is included in other comprehensive income. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, construction or production of qualifying assets.

Non-monetary items that are measured at historical cost in a foreign currency are still translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

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

(6) Criteria for determining cash and cash equivalents

Cash and cash equivalents refer to cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(7) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

(8) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

- Financial assets measured at FVTPL

  These financial assets are subsequently measured at fair value. Net gains and losses (including any interest or dividend income) are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets measured at amortised cost

  These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments measured at FVOCI

  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments measured at FVOCI

  These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

- Financial liabilities at FVTPL

  A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

  Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless:

- The financial liability is part of a hedging relationship;

  The financial liability is a financial liability designated at fair value through profit or loss, and changes in fair value arising from changes in the Bank's credit risks are included in other comprehensive income.

- Other financial liabilities

  Other financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities, financial guarantee contracts and loan commitments arising from transfers of financial assets that do not qualify for the derecognition conditions or continue to be involved in the transferred financial assets

(iv) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied：

- The Group currently has a legally enforceable right to set off the recognised amounts；
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(v) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or；
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial assets have been transferred. If the group neither transfers nor retains almost all the risks and rewards of the ownership of the financial assets, and retains the control over the financial assets, the relevant financial assets shall be recognized according to the degree of continuous involvement in the transferred financial assets, and the corresponding liabilities shall be recognized.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment measured at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(vi) Impairment of financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on:

- Financial assets measured at amortised cost;
- Contract assets;
- Debt instruments measured at FVOCI;
- Loan commitments and financial guarantee contracts; and
- Lease receivables.

Financial assets measured at fair value, including debt investments or equity securities measured at FVTPL, equity securities designated as at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses for financial instruments with a risk of default. Credit losses are measured as the present value of all cash shortfalls which is the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

The Group’s method of measuring ECL of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECL is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.
12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

Refer to Note VIII.1(3) for more detailed explanations of measuring ECL.

Presentation of allowance for ECL

ECL are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt investments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income. For loan commitments and financial guarantee contracts that are not measured at fair value and whose changes are included in current profits and losses, the Group recognizes loss reserves in estimated liabilities (Refer to Note III 27).

Write-off

The book value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vii) *Modification of financial asset contracts*

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess or renegotiate whether or not the new contractual terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms.

If the modified contract terms do not change substantially, but lead to changes in the contract cash flow, when assessing whether the credit risk of relevant financial instruments has increased significantly, the group shall recalculate the book balance of the financial assets and record the relevant gains or losses into the current profits and losses. The recalculated book balance of the financial asset shall be determined according to the present value of the modified or renegotiated contract cash flow discounted at the original effective interest rate of the financial asset (or the purchased or originated financial asset with credit impairment shall be discounted at the effective interest rate adjusted by credit). For all costs or expenses incurred in modifying or renegotiating the contract, the group adjusts the book value of the modified financial asset and amortizes it within the remaining period of the modified financial asset. When assessing whether the credit risk of relevant financial instruments has increased significantly, the group compares the risk of default on the balance sheet date based on the changed contract terms with the risk of default on the initial recognition based on the original contract terms.

(viii) *Equity instrument*

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(9) Financial guarantee contracts and loan commitments

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

The financial guarantee contract shall be initially recognized at fair value on the date of providing the guarantee. After initial recognition, the relevant income of the financial guarantee contract shall be amortized and included in the current profit and loss in accordance with the accounting policies described in Note II. 4(25). Financial guarantee liabilities are subsequently measured according to the higher of the amount of loss reserves determined according to the impairment principle of financial instruments (Refer to Note II, 4(8)) and the balance of its initially recognized amount after deducting the accumulated amortization of the income related to the financial guarantee contract.

Loan commitments

Loan commitment refers to the definite commitment to provide credit according to the pre-defined terms and conditions.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

The Group's expected credit losses of financial guarantees and loan commitments are presented as “provisions”.

(10) Derivatives and hedge accounting

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments with positive fair value are recognized as an asset, and those with negative fair value are recognized as a liability.

If the main contract included in the hybrid contract is an asset within the scope of financial instrument standards, the embedded derivative will no longer be separated from the main contract of financial assets, but the relevant provisions on the classification of financial assets will be applied to the hybrid financial instruments as a whole. If the main contract included in the hybrid contract is not an asset within the scope of the financial instrument standard, when some embedded derivative financial instruments are not closely related to the economic characteristics and risks of their main contract, the separate instrument with the same terms as the embedded derivative meets the definition of derivative financial instrument, and the hybrid instrument is not measured at fair value and its changes are included in the current profit and loss, Then the embedded derivative financial instrument shall be separated from the hybrid contract and treated as an independent derivative financial instrument. These embedded derivative financial instruments are measured at fair value, and the changes in fair value are included in the current profit and loss.

If the profits and losses derived from the changes in the fair value of derivative financial instruments do not meet the requirements of hedge accounting, they shall be directly included in the current profits and losses.

<u>Hedge accounting</u>

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. The Group's hedged items include fixed-rate borrowings that expose the Group to the risk of changes in fair value, floating rate borrowings that expose the Group to the risk of variability in cash flows, a firm commitment that is settled with a fixed amount of foreign currency and that exposes the Group to foreign currency risk.

A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item. For a hedge of foreign currency risk, the foreign currency risk component of a non-derivative financial asset or non-derivative financial liability may also be designated as a hedging instrument provided that it is not an investment in an equity instrument for which an entity has elected to present changes in the fair value in other comprehensive income.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

When a hedging relationship no longer meets the hedge effectiveness requirements due to the hedge ratio, but the risk management objective of the designated hedging relationship remains unchanged, the Group rebalances the hedging relationship. Rebalancing refers to the adjustments made to the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship for the purpose of maintaining a hedge ratio that complies with the hedge effectiveness requirements.
The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.
- The hedging instrument expires or is sold, terminated or exercised.
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.
- The hedging relationship no longer meets other criteria for applying hedge accounting.

(i) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income as a cash flow hedge reserve. The amount of the cash flow hedge reserve is adjusted to the lower of the following (in absolute amounts):

- the cumulative gain or loss on the hedging instrument from inception of the hedge;

- the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The change in the amount of the cash flow hedge reserve is recognised in other comprehensive income in each period.

The portion of the gain or loss on the hedging instrument that is determined to be ineffectiveness is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it in the initial cost or other carrying amount of the asset or liability.

For cash flow hedges other than those covered above, that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When the Group discontinues hedge accounting for a cash flow hedge, the amount of the accumulated cash flow hedge reserve recognised in other comprehensive income is accounted for as follows:

- If the hedged future cash flows are still expected to occur, that amount will remain in the cash flow hedge reserve, and be accounted for in accordance with the above policy.

- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(ii) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

The gain or loss from remeasuring the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins.

(iii) Hedges of a net investment in a foreign operation

A hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When disposing a foreign operation, in whole or in part, the aforesaid gain or loss on the hedging instrument will be transferred from equity to profit or loss as a reclassification adjustment. The portion of the gain or loss on the hedging instrument that is determined to be ineffective is recognised in profit or loss.

(11) Convertible instruments

<u>Convertible instruments containing an equity component</u>

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

Other convertible instruments not containing an equity component

For other convertible instruments issued by the Group which do not contain an equity component, at initial recognition, the derivative component is measured at fair value, and any excess of proceeds over the derivative component is recognised as the liability component.

The derivative component is subsequently measured at fair value, and gains or losses from the changes in the fair value are recognised in profit or loss. The liability component is subsequently carried at amortised cost using the effective interest method.

On conversion, the carrying amounts of the derivative and liability components are transferred to equity. If the instrument is redeemed, any difference between the redemption amount paid and the carrying amounts of both components is recognised in profit or loss.

(12) Preference shares and capital bonds with unfixed terms

At initial recognition, the Group classifies the preference shares, Perpetual bondissued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares and Perpetual bondissued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and Perpetual bondissued not containing an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and Perpetual bondissued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and Perpetual bondare redeemed according to the contractual terms, the redemption price is charged to equity.

(13) Financial assets purchased under resale agreements and Financial assets sold under repurchase agreements

The financial assets purchased under resale agreements refers to the funds raised by the group to buy financial assets first and then resell them at a fixed price according to the resale agreement. The financial assets sold under repurchase agreements refer to the funds incorporated into the group's financial assets sold first according to the repurchase agreement and then repurchased at a fixed price.

The financial assets purchased under resale agreements and financial assets sold under repurchase agreements shall be recorded according to the actual payment or receipt at the time of business and reflected in the balance sheet. The purchased target assets purchased for resale are not recognized and recorded off balance sheet; The underlying assets sold and repurchased are still reflected in the balance sheet.

The bid ask price difference of buy for resale and sell for repurchase business is amortized by the effective interest method during the relevant transaction period and recognized as interest income and interest expense respectively.

(14) Fixed assets

Recognition of fixed assets

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

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II.4(15).
Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

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

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

Depreciation of fixed assets

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

Class	Estimate useful life	Residual value rate	Depreciation rate
Plant and buildings	30 years	3 - 5%	3.17 -3.23%
Motor vehicles	5 years	3 - 5%	19.00 - 19.40%
Electronic computers and other equipments	3 – 5 years	3 - 5%	19.00 - 32.33%
Plane and ship equipments	20 years	5%	4.75%

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

For the impairment of the fixed assets, refer to Note II.4(20).

Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or

- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

(15) Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs , and any other costs directly attributable to bringing the asset to working condition for its intended use.A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note II.4(20)).

(16) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II.4(20)). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

- Land use right is amortized since the month of acquisition using straight-line method within its statutory useful life. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

- Software is amortized since month of acquisition using straight-line method over its beneficial life

- Brand and franchise right are intangible assets with no expected useful lives, which are not subject to amortization.

The Group reviews the useful life and amortization method of a finite useful life intangible assets at the end of each year and adjusts it if necessary.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

(17) Long-term deferred expenses

Long-term deferred expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(18) Repossessed assets

Repossessed assets refer to the physical assets or property rights of the group that are compensated to the debtor, guarantor or a third party by exercising creditor's rights or security interests according to law.

For the transferred financial asset of repossessed assets, the group initially measures them at their fair value, and classifies and subsequently measures them in accordance with the accounting policies described in Note II. 4(8).

For the transferred non-financial asset debt paying assets, the group makes initial measurement according to the fair value of the abandoned creditor's rights and other costs such as taxes directly attributable to the assets, and makes subsequent measurement according to the lower of the book value of the debt paying assets and the recoverable amount. Refer to Note II. 4(20) for the impairment test method and the impairment provision method.

(19) Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control. The Group's goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note II.4(20)). On disposal of an asset group or a set of asset groups, goodwill shall be transferred out and included in the calculation of the profit or loss on disposal.

(20) Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- long-term equity investments
- goodwill
- long-term deferred expenses
- non-financial-asset-linked repossessed assets, etc

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually and the recoverable amounts of goodwill and intangible assets with indefinite useful lives at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

(21) Provisions

Contingent liabilities refer to the potential obligations formed by past transactions or events, and their existence must be confirmed by the occurrence or non occurrence of future uncertain events; Or the current obligation formed by past transactions or events, the performance of the obligation is not likely to lead to the outflow of economic benefits from the group or the amount affected by the obligation cannot be measured reliably. The Group does not recognize these obligations and only discloses contingent liabilities in Note IX, commitments and contingencies to the financial statements.

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(22) Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(23) Dividend distribution

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

(24) Fiduciary activities

The Group acts as the manager, trustee or agent of customers in the entrusted business. The balance sheet of the group does not include the assets held by the Group due to entrusted business and the commitment to return such assets to customers. The risks and benefits of such assets are borne by customers.

The Group signed an entrusted loan agreement with the customer, and the customer provided funds to the group (hereinafter referred to as "entrusted loan funds"), and the Group issued loans to third parties (hereinafter referred to as "entrusted loans") according to the customer's instructions. As the Group does not bear the risks and rewards of entrusted loans and related entrusted loan funds, entrusted loans and entrusted loan funds are recorded as off balance sheet items according to their principal, and no impairment provision is made for these entrusted loans.

(25) Revenue recognition

Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

(i) For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost;

(ii) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income is recognised when its performance obligation in contracts is satisfied. The income is recognized at the time point or period when the customer obtains the control right of relevant services.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as theGroup performs;
- The customer controls the service provided by the Group in the course of performance;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

Dividend income

Dividend income from equity instruments is recognized in the current profit and loss when the group's right to receive dividends is established.

Net trading income

Net trading income includes gains and losses arising from holding financial assets and liabilities measured at fair value through profit or loss, holding derivative financial instruments, trading precious metals and bulk commodities, etc.

(26) Employee benefits

Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accured at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

Post-employment benefits

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group and its employees are required to contribute a certain percentage of the employees’ previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Other long-term employee benefits

According to the actual payment of employees' salaries or services during the accounting period, the amount accrued or paid by employees shall be recognized as the current profit and loss.

(27) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses;

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses;

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred tax assets and liabilities are shown in net offset amounts at the end of the reporting period when both of the following conditions are met:

- that taxpayer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities;
- deferred tax assets and liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or to different taxpayer, but within the period of the reversal of each deferred tax asset and liability of importance in the future, the involved taxpayer intends to settle the current income tax assets and liabilities on a net basis or acquire assets and pay off liabilities at the same time.

(28) Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly speicied in a contrat and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the ecomonic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease componets, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(1) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.21.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note III.8. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(29) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;
(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
(iii) the entity and the Group are joint ventures of the same third party;
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
(vi) the entity is controlled or jointly controlled by a person identified in (a);
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(30) Significant accounting estimates and judgements

In preparing the financial statements, the management of the Group is required to apply estimates and assumptions which affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses. The reality may differ from these estimates. The Group's management continuously evaluates the judgment of the key assumptions and uncertainties involved in the estimates, and the impact of changes in accounting estimates is recognized in the current and future periods of the changes.

In the process of implementing the Group's accounting policies, the management will make judgments and assumptions on the impact of future uncertainties on the financial statements. On the balance sheet date, the management makes the following judgments and main assumptions on major future uncertainties, which may lead to significant adjustments to the book value of assets and liabilities in the next accounting period.

Measurement of ECL

For debt instrument investments measured at amortized cost and at fair value with changes included in other comprehensive income, as well as loan commitments and financial guarantee contracts, complex models and a large number of assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behavior (for example, the possibility of customer default and corresponding losses). Note XIII. 1 specify the parameters, assumptions and estimation techniques used in the measurement of expected credit loss.

Goodwill impairment

The Group tests whether goodwill is impaired at least annually, and impairment test is also required when there are signs that goodwill may be impaired. During the impairment test, it is necessary to allocate goodwill to the corresponding asset group or combination of asset groups, predict the future cash flow generated by the asset group or combination of asset groups, and select an appropriate discount rate to determine the present value of future cash flow.

Income tax

The Group needs to make judgments on the future tax treatment of certain transactions to confirm income tax. In accordance with relevant tax laws and regulations, the group carefully judges the income tax impact corresponding to the transaction and accrues income tax accordingly. Deferred income tax assets can only be recognized when it is possible to have future taxable profits and can be used to offset relevant temporary differences. In this regard, it is necessary to make a significant judgment on the tax treatment of some transactions and make a significant estimation on whether there are enough future taxable profits to offset the possibility of deferred income tax assets.

Fair value of financial instruments

For financial instruments that lack an active market, the Group uses valuation methods to determine their fair value. The valuation method includes referring to the transaction price determined during the fair transaction between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or estimating by using discounted cash flow analysis and option pricing model. The valuation method makes maximum use of observable market information. However, when observable market information is unavailable, the management will estimate the significant unobservable information included in the valuation method.

Judgment on whether the structured entities has control

The Group manages or invests in multiple financial products, trust plans, fund investments, asset management plans and asset-backed securities. When judging whether to control such structured entities, the Group determines whether it exercises its decision-making power as the main responsible person or agent, and evaluates its overall economic benefits to such structured entities (including the income generated by direct holding and expected management fees) and the scope of decision-making power to such structured entities. When the other party has the decision-making power, it is also necessary to determine whether the other party exercises the decision-making power as its agent.

For financial products, trust plans, fund investments and asset-backed securities in which the group has interests or is the initiator but is not included in the scope of the consolidated financial statements, see Note III(37).

III NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

1 Net interest income

	The Group		The Bank	
	2021	2020	2021	2020
Interest income				
Loans and advances to customers				
-Corporate loans	91,588	92,637	87,618	89,180
-Retail loans	112,530	113,497	111,599	112,607
-Discounted bills	14,428	9,853	14,428	9,852
Financial investments				
-at amortiazed cost	46,765	41,763	46,732	41,630
-at fair value through other comprehensive income	17,858	20,642	17,412	20,301
Deposits from and placements with banks and other financial institutions	9,520	9,407	9,372	9,382
Deposits with central bank	5,734	5,871	5,701	5,836
Financial assets purchased under resale agreements	2,270	1,315	2,270	1,315
Subtotal	300,693	294,985	295,132	290,103
Interest expense				
Deposits from customers	(84,867)	(82,713)	(84,028)	(81,953)
Debt securities issued	(38,664)	(32,861)	(38,163)	(32,356)
Deposits to and placements from banks and other financial institutions	(29,771)	(27,919)	(27,964)	(26,541)
Borrowing from central bank	(7,500)	(8,009)	(7,476)	(7,989)
Financial assets sold under repurchase agreements	(3,933)	(4,902)	(3,933)	(4,902)
Subtotal	(164,735)	(156,404)	(161,564)	(153,741)
Net interest income	135,958	138,581	133,568	136,362

2 Net fee and commission income

	The Group		The Bank	
	2021	2020	2021	2020
Fee and commission income				
Custodian and other fiduciary activities commissions	13,657	15,415	9,761	11,822
Fees from bank cards	12,863	14,528	12,862	14,527
Agency commissions	4,799	5,078	4,798	5,078
Fees from investment banking activities	3,694	4,457	3,501	4,358
Credit commitment fees	2,300	2,223	2,298	2,221
Settlement and clearing fees	971	883	971	883
Others	1,563	1,673	1,297	1,269
Subtotal	39,847	44,257	35,488	40,158
Fee and commission expense	(10,713)	(10,311)	(10,778)	(10,409)
Net fee and commission income	29,134	33,946	24,710	29,749

3 Net trading gains and losses

	The Group		The Bank	
	2021	2020	2021	2020
Financial investments measured at FVTPL	15,052	14,876	14,065	12,267
Non-foreign exchange derivative financial instruments	2,789	3,011	2,789	3,011
Precious metals	1,749	(845)	1,749	(845)
Exchange gains and losses	813	(215)	810	(175)
Hedged bonds	(491)	267	(491)	267
Others	203	526	203	526
Total	20,115	17,620	19,125	15,051

4 Net gains and losses arising from financial investments

	The Group		The Bank	
	2021	2020	2021	2020
Financial investments measured at FVOCI	1,214	2,741	1,143	2,487
Financial investments at amortized cost	1,010	433	1,010	433
Dividend income	52	45	179	288
Total	2,276	3,219	2,332	3,208

5 Operating expenses

	The Group		The Bank	
	2021	2020	2021	2020
Staff costs				
- Short-term employee benifits	23,292	23,266	21,383	21,532
- Post-employment benifits	2,503	1,768	2,393	1,733
- Other long-term employee benefits	2,605	2,475	2,297	2,349
Subtotal	28,400	27,509	26,073	25,614
Depreciation and amortization	6,226	5,925	6,004	5,541
Business tax and surcharges	2,004	2,117	1,922	2,034
Others	17,078	14,874	14,831	12,908
Total	53,708	50,425	48,830	46,097

6 Impairment losses

	The Group		The Bank	
	2021	2020	2021	2020
Loans and advances to customers	64,542	75,022	63,444	73,524
Others	13,802	4,531	13,744	3,807
Total	78,344	79,553	77,188	77,331

7 Income tax expense

	The Group		The Bank	
	2021	2020	2021	2020
Current income tax expense	11,694	13,177	10,506	11,880
Deferred income tax expense	(6,389)	(5,512)	(6,322)	(5,200)
Total	5,305	7,665	4,184	6,680

Reconciliations between the Group's income tax expenses calculated using the statutory tax rate and actual income tax expense are as follows:

	The Group		The Bank	
	2021	2020	2021	2020
Profit before income tax	59,071	66,589	54,493	61,801
Tax calculated at statutory tax rate of the PRC	14,768	16,647	13,623	15,449
Tax effect from other various tax rates adopted by subsidiaries	(43)	(126)	-	-
Tax effect of non-deductible expenses	377	497	319	348
Tax effect of non-taxable income	(9,716)	(9,486)	(9,691)	(9,251)
Other income tax adjustments	(81)	133	(67)	134
Income tax expense	5,305	7,665	4,184	6,680

8 Earnings per share

(1) Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing net profit for the year attributable to the holders of the Bank's share capital by the weighted average number of share capital outstanding during the year. The conversion feature of preference shares is considered to fall within the category of contingently issuable share capital. As at 31 December 2021, the triggering events of share conversion did not occur. Therefore, the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share in the current period.

The Group

	2021	2020
Profit for the year attributable to shareholders of the Bank	53,003	58,261
Less: Profit for the year attributable to preference shareholders of the Bank	(1,559)	(1,662)
Payment of interests of non-fixed term capital bonds	(3,794)	(1,419)
Profit for the year attributable to the holders of the Bank's share capital	47,650	55,180
Weighted average number of outstanding share capital (million)	29,352	29,352
Basic EPS (RMB)	1.62	1.88

The Bank declared cash dividends of RMB 1,559 million for preference share and interests payment of RMB 3,794 million for Perpetual bondin this year. For the purpose of calculating basic EPS, dividends on preference shares declared and interets of Perpetual bondin respect of the year have been deducted from the net profit attributable to ordinary shareholders of the Bank.

(2) Diluted earnings per share

The diluted earnings per share is calculated on the assumption that the RMB 50 billion convertible corporate bonds publicly issued by the Bank in 2019 deemed to have all been converted to ordinary shares upon issuance and by dividing, after adjustments for the interest expenses of the convertible corporate bonds for the year the net profit of the year attributable to ordinary shareholders of the Bank by the adjusted weighted average number of ordinary shares outstanding during the year.

The Group

	2021	2020
Net profit for the current year attributable to shareholders of the Bank	47,650	55,180
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	1,429	1,377
Net profit for the current year attributable to ordinary shareholders of the Bank	49,079	56,557
Weighted average number of outstanding ordinary shares (million)	29,352	29,352
Add: Assume that convertible corporate bonds are entirely converted to weighted average number of ordinary shares from the beginning of the period to the conversion date (million)	3,460	3,322
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	32,812	32,674
Diluted earnings per share (RMB)	1.50	1.73

9 Cash and deposits with central bank

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash		5,470	5,356	5,338	5,214
Statutory reserves with central bank	(1)	339,973	339,269	338,268	337,532
Surplus reserves with central bank	(2)	73,454	143,283	70,405	140,336
Fiscal deposits with central bank		1,939	1,011	1,939	1,011
Accrued interest		160	169	160	169
Total		420,996	489,088	416,110	484,262

(1) The Group is required to place statutory reserves with the PBOC and overseas central banks, including RMB and foreign currency deposit reserves and foreign exchange risk reserves for forward foreign exchange sales businesses, which are not allowed to be used in the Group's daily operations.

(2) The surplus reserves refer to money deposited by the Group with the PBOC and overseas central banks for the purpose of funds liquidation.

10 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deposits with domestic banks	71,746	77,684	62,787	69,529
Deposits with overseas banks	53,693	71,458	52,517	71,289
Deposits with domestic non-bank financial institutions	255	2,460	68	2,457
Placements with domestic banks	24,726	12,558	24,726	12,558
Placements with overseas banks	70,276	45,393	70,276	45,393
Placements with domestic non-bank financial institutions	201,157	159,967	201,637	161,132
Placements with overseas non-bank financial institutions	8,188	14,406	9,718	18,056
Accrued interest	4,062	2,413	3,985	2,378
Less: impairment allowance	(322)	(412)	(293)	(386)
Total	433,781	385,927	425,421	382,406

11 Derivative financial instruments

The Group

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	4,099,578	17,147	(15,789)
Exchange rate derivatives	1,578,860	13,844	(12,669)
Precious metal derivatives	195,711	2,656	(1,014)
Commodity and other derivatives	13,320	126	(56)
Total		33,773	(29,528)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	9,251	42	(126)
- Currency swap contracts	361	-	(8)
Cash flow hedges			
- Interest rate swap contracts	1,649	17	-
- Currency swap contracts	3,554	5	(25)
Total		64	(159)

	31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,399,464	18,260	(18,103)
Exchange rate derivatives	1,973,523	39,470	(39,109)
Precious metal derivatives	210,325	5,122	(3,632)
Commodity and other derivatives	14,717	737	(302)
Total		63,589	(61,146)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	24,283	56	(527)
- Currency swap contracts	693	-	(5)
Cash flow hedges			
- Interest rate swap contracts	663	-	(9)
- Currency swap contracts	389	-	(47)
Total		56	(588)

The Bank

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	4,097,929	17,130	(15,789)
Exchange rate derivatives	1,578,023	13,844	(12,648)
Precious metal derivatives	195,711	2,656	(1,014)
Commodity and other derivatives	13,320	126	(56)
Total		33,756	(29,507)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	9,251	42	(126)
- Currency swap contracts	361	-	(8)
Cash flow hedges			
- Currency swap contracts	2,717	5	(4)
Total		47	(138)

	31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,398,801	18,260	(18,094)
Exchange rate derivatives	1,973,523	39,470	(39,109)
Precious metal derivatives	210,325	5,122	(3,632)
Commodity and other derivatives	14,717	737	(302)
Total		63,589	(61,137)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	24,283	56	(527)
- Currency swap contracts	693	-	(5)
Cash flow hedges			
- Currency swap contracts	389	-	(47)
Total		56	(579)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

12 Financial assets purchased under resale agreements

The Group and the Bank

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Bonds	117	36,520	101	36,520
Accrued interest	-	7	-	7
Less: impairment allowance		(1)		(1)
Total	117	36,526	101	36,526

13 Loans and advances to customers

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Loans and advances to Customers measured at				
- amortized cost (a)	4,255,699	4,093,185	4,153,741	3,998,067
- FVOCI (b)	484,192	422,508	484,192	422,508
- FVTPL (c)	46,149	18,280	46,149	18,280
Subtotal	4,786,040	4,533,973	4,684,082	4,438,855
Accrued interest	15,257	15,576	14,664	14,851
Impairment allowances				
-Loans and advances to customers measured at amortized cost	(110,087)	(119,116)	(104,256)	(114,168)
- Accrued interest of loans and advances to customers measured at amortized cost	(256)	(205)	(256)	(205)
Subtotal	(110,343)	(119,321)	(104,512)	(114,373)
Net loans and advances to customers	4,690,954	4,430,228	4,594,234	4,339,333

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
(a) Loans and advances to customers measured at amortized cost				
Corporates loans				
Commercial Loans	2,261,151	2,248,168	2,175,189	2,168,559
Trade finance	102,155	49,048	102,155	49,048
Discounted bills	1,773	3,691	1,768	3,666
Retail loans				
Mortgage loans	905,974	849,193	898,953	841,967
Credit card and overdraft	416,142	372,117	416,142	372,117
Business loans	392,104	325,782	387,147	321,078
Consumer loans and others	176,400	245,186	172,387	241,632
Subtotal	4,255,699	4,093,185	4,153,741	3,998,067
(b) Loans and advances to customers measured at FVOCI				
Corporates loans				
Trade finance	24,868	5,627	24,868	5,627
Discounted bills	459,324	416,881	459,324	416,881
Subtotal	484,192	422,508	484,192	422,508
(c) Loans and advances to customers measured at FVTPL				
Corporates loans				
Trade finance	19,554	2,944	19,554	2,944
Discounted bills	26,595	15,336	26,595	15,336
Subtotal	46,149	18,280	46,149	18,280
Total loans and advances to customers	4,786,040	4,533,973	4,684,082	4,438,855

13.1 Loans and advances to customers analysed by industry

The Group

	31 December 2021		31 December 2020	
	Amount	Rate (%)	Amount	Rate (%)
Corporate loans				
Manufacturing	433,936	9.07	392,385	8.65
Lease and commercial service	421,641	8.81	361,907	7.98
Real estate	331,015	6.92	346,486	7.64
Transportation, warehouse and postal services	185,778	3.88	157,478	3.47
Water conservancy, environment and public facilities management	180,796	3.78	173,871	3.84
Wholesale and retail	177,773	3.71	207,798	4.58
Construction	165,645	3.46	160,798	3.55
Electricity, heat, gas, water production and supply	146,184	3.05	116,544	2.57
Financial services	108,267	2.26	104,093	2.30
Mining	78,343	1.64	95,167	2.10
Information transmission, software and IT services	63,203	1.32	58,820	1.30
Research and technology services	37,850	0.79	30,262	0.67
Culture, sports and entertainment	17,770	0.37	20,221	0.45
Agriculture, forestry, farming and fishery	17,243	0.36	20,172	0.44
Healthcare and social welfare	15,819	0.33	19,417	0.43
Education	14,668	0.31	15,480	0.34
Hotels and catering services	7,707	0.16	8,285	0.18
Residential services, repairs and other services	3,217	0.07	2,357	0.05
Public administration, social assurance and social organization	710	0.01	2,223	0.05
Others	163	0.01	12,023	0.27
Subtotal	2,407,728	50.31	2,305,787	50.86
Discounted bills	487,692	10.19	435,908	9.61
Retail loans	1,890,620	39.50	1,792,278	39.53
Total	4,786,040	100.00	4,533,973	100.00

The Bank

	31 December 2021		31 December 2020	
	Amount	(%)	Amount	(%)
Corporate loans				
Manufacturing	426,249	9.10	383,212	8.63
Lease and commercial service	420,635	8.98	362,067	8.16
Real estate	330,994	7.07	346,461	7.81
Wholesale and retail	175,868	3.75	180,701	4.07
Water, environment and public facilities management	175,158	3.74	164,966	3.72
Construction	161,763	3.45	158,654	3.57
Transportation, warehouse and postal services	154,032	3.29	157,326	3.54
Electricity, heat, gas, water production and supply	120,657	2.58	95,037	2.14
Financial services	110,242	2.35	104,009	2.34
Mining	73,050	1.56	90,633	2.04
Information transmission, software and IT services	62,391	1.33	57,581	1.30
Research and technology services	37,754	0.81	30,099	0.68
Culture, sports and entertainment	17,107	0.37	19,475	0.44
Healthcare and social welfare	15,636	0.33	16,971	0.38
Education	14,522	0.31	19,111	0.43
Agriculture, forestry, farming and fishery	14,162	0.30	15,332	0.35
Hotels and catering services	7,527	0.16	8,085	0.18
Residential services, repairs and other services	3,146	0.07	2,212	0.05
Public administration, social assurance and social organization	710	0.02	2,223	0.05
Others	163	0.01	12,023	0.27
Subtotal	2,321,766	49.58	2,226,178	50.15
Discounted bills	487,687	10.41	435,883	9.82
Retail loans	1,874,629	40.01	1,776,794	40.03
Total	4,684,082	100.00	4,438,855	100.00

13.2 Loans and advances to customers analysed by collateral type

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Unsecured loans	2,012,057	1,818,279	1,970,107	1,786,811
Guaranteed loans	779,176	776,427	743,976	740,152
Collateralized loans	1,740,296	1,668,955	1,724,164	1,652,088
Pledged loans	254,511	270,312	245,835	259,804
Total	4,786,040	4,533,973	4,684,082	4,438,855

13.3 Overdue loans and advances to customers

The Group

	31 December 2021				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	10,968	12,500	3,919	1,165	28,552
Guaranteed loans	7,967	15,248	7,302	1,592	32,109
Collateralized loans	10,478	11,770	9,667	1,710	33,625
Pledged loans	906	2,972	1,184	132	5,194
Total	30,319	42,490	22,072	4,599	99,480

	31 December 2020				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	8,899	13,728	4,953	857	28,437
Guaranteed loans	9,828	10,487	7,630	1,605	29,550
Collateralized loans	10,646	10,226	9,447	1,389	31,708
Pledged loans	1,544	3,233	2,325	97	7,199
Total	30,917	37,674	24,355	3,948	96,894

The Bank

	31 December 2021				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	10,836	12,209	3,346	967	27,358
Guaranteed loans	7,709	14,938	6,896	1,555	31,098
Collateralized loans	10,407	11,698	9,581	1,698	33,384
Pledged loans	901	2,970	1,073	132	5,076
Total	29,853	41,815	20,896	4,352	96,916

	31 December 2020				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	8,879	13,559	4,139	856	27,433
Guaranteed loans	9,484	10,061	7,517	1,552	28,614
Collateralized loans	10,475	10,142	9,385	1,382	31,384
Pledged loans	1,435	3,230	2,325	97	7,087
Total	30,273	36,992	23,366	3,887	94,518

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

13.4 Movements of ECL allowance

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

The Group

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021		31,044	22,831	65,241	119,116
Transfers during the year:					
- Transfer to stage 1		1,155	(1,026)	(129)	-
- Transfer to stage 2		(1,163)	2,506	(1,343)	-
- Transfer to stage 3		(1,078)	(10,558)	11,636	-
Net increase during the year	(1)	3,186	1,015	60,573	64,774
Written-offs and disposals during the year		-	-	(81,102)	(81,102)
Recovery of loans and advances written off in previous years		-	-	8,149	8,149
Others		(63)	(5)	(782)	(850)
Balance at 31 December 2021		33,081	14,763	62,243	110,087

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020		29,904	19,446	60,709	110,059
Transfers during the year:					
- Transfer to stage 1		1,850	(1,606)	(244)	-
- Transfer to stage 2		(1,300)	2,365	(1,065)	-
- Transfer to stage 3		(1,742)	(7,668)	9,410	-
Net increase during the year	(1)	2,344	10,294	62,065	74,703
Written-offs and disposals during the year		-	-	(70,044)	(70,044)
Recovery of loans and advances written off in previous years		-	-	5,648	5,648
Others		(12)	-	(1,238)	(1,250)
Balance at 31 December 2020		31,044	22,831	65,241	119,116

The Bank

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021		29,320	21,527	63,321	114,168
Transfers during the year:					
- Transfer to stage 1		1,149	(1,024)	(125)	-
- Transfer to stage 2		(1,106)	2,444	(1,338)	-
- Transfer to stage 3		(1,024)	(10,095)	11,119	-
Net increase during the year	(1)	2,336	1,262	60,078	63,676
Written-offs and disposals during the year		-	-	(80,917)	(80,917)
Recovery of loans and advances written off in previous years		-	-	8,124	8,124
Others		(16)	(2)	(777)	(795)
Balance at 31 December 2021		30,659	14,112	59,485	104,256

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020		28,530	18,998	58,629	106,157
Transfers during the year:					
- Transfer to stage 1		1,793	(1,593)	(200)	-
- Transfer to stage 2		(1,196)	2,245	(1,049)	-
- Transfer to stage 3		(1,678)	(7,624)	9,302	-
Net increase during the year	(1)	1,883	9,501	61,821	73,205
Written-offs and disposals during the year		-	-	(69,574)	(69,574)
Recovery of loans and advances written off in previous years		-	-	5,600	5,600
Others		(12)	-	(1,208)	(1,220)
Balance at 31 December 2020		29,320	21,527	63,321	114,168

(1) This item includes changes of PD, EAD, LGD due to routine updates to model parameters, and the impact of stage changes on the measurement of ECL.

(2) Financial instruments whose credit risks haven't significantly increased since the initial recognition are classified into stage 1, then they will be transferred into stage 2 if their credit risks have significantly increased since the initial recognition with no objective evidence for impairment, and will be further transferred into stage 3 where there is objective impairment evidence on the balance sheet date. Refer to Note VIII. 1(3) for ECL measurement.

(b) Movements of ECL allowance of loans and advances to customers at fair value through other comprehensive income

The Group and the Bank

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	529	4	218	751
Transfers during the year:				
- to stage 1	1	(1)	-	-
- to stage 2	(8)	8	-	-
- to stage 3	-	-	-	-
Net decrease during the year	(197)	(7)	(28)	(232)
Balance at 31 December 2021	325	4	190	519

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	288	8	136	432
Transfers during the year:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Net increase/(decrease) during the year	241	(4)	82	319
Balance at 31 December 2020	529	4	218	751

14 Financial Investments

	Note	The Group 31 December 2021	The Group 31 December 2020	The Bank 31 December 2021	The Bank 31 December 2020
Financial investment measured at FVTPL	(a)	526,034	549,149	487,998	514,468
Financial investments measured at amortized cost	(b)	1,306,188	1,169,777	1,304,324	1,167,536
Fnancial investments measured at FVOCI	(c)	486,701	583,621	482,376	577,343
Financial investments, net		2,318,923	2,302,547	2,274,698	2,259,347

(a) Financial investments measured at FVTPL:

	Note	The Group 31 December 2021	The Group 31 December 2020	The Bank 31 December 2021	The Bank 31 December 2020
Fund investments		398,733	428,552	375,268	407,181
Government bonds		34,146	42,040	34,146	41,705
Trust and asset management plans	(1)	18,958	20,294	13,630	13,351
Corporate bonds		16,216	42,040	14,989	41,705
Beneficiary certificates of securities companies		13,437	18,651	13,437	18,651
Bonds issued by financial institutions		12,236	10,412	10,581	9,158
Deposit certificates issued by other financial institutions		9,012	2,988	9,012	2,988
Equity investment		8,194	5,104	2,300	532
Assets backed securities (“ABS”)		6,519	562	6,409	463
Bonds issued by policy banks		1,789	3,407	1,789	3,407
Wealth management products managed by other banks		327	72	-	-
Other investment	(2)	6,467	5,971	6,437	5,937
Total		526,034	549,149	487,998	514,468

(1) Trust and asset management plans are managed and operated by the third-party trust plan trustee or asset manager, and are ultimately invested in bonds, ABS, equity investments with third-party repurchase arrangement, etc.

(2) Other investments mainly include the long-term employee benefits payable to Changjiang Pension Insurance Co., Ltd. for investment entrusted by the Group.

(b) Financial Investments measured at amortized cost

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Government bonds	567,605	558,397	567,605	558,397
Trust and asset management plans				
- Loans	253,657	139,798	252,640	138,979
- ABS	195,477	180,867	195,227	180,233
- Bill assets	695	44,841	695	44,841
- Others	2,543	7,354	2,543	7,354
Bonds issued by policy banks	200,520	194,122	200,520	194,122
Bonds issued by financial institutions	73,240	24,158	73,240	24,158
Corporate bonds	12,475	6,883	12,475	6,752
Deposit certificates issued by other financial institutions	1,137	833	1,137	833
Beneficiary certificates of securities companies	850	8,130	850	8,130
ABS	138	300	138	300
Other debt instrument	100	-	-	-
Subtotal	1,308,437	1,165,683	1,307,070	1,164,099
Accrued interest	17,527	16,041	17,467	15,999
Impairment allowance				
-Principal of financial Investments	(19,743)	(11,899)	(20,200)	(12,535)
-Accrued interest of financial Investments	(33)	(48)	(13)	(27)
Subtotal of impairment allowance	(19,776)	(11,947)	(20,213)	(12,562)
Financial Investments at amortized cost, net	1,306,188	1,169,777	1,304,324	1,167,536

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

The Group

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	1,469	174	10,256	11,899
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(22)	22	-	-
- to stage 3	(11)	(190)	201	-
Net increase for the year	597	634	10,702	11,933
Write-offs and disposals during the year	-	-	(4,082)	(4,082)
Others	(1)	-	(6)	(7)
Balance at 31 December 2021	2,032	640	17,071	19,743

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	1,599	57	7,023	8,679
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(61)	61	-	-
- to stage 3	-	(27)	27	-
Net (decrease) / increase for the year	(69)	83	4,236	4,250
Write-offs and disposals during the year	-	-	(1,030)	(1,030)
Balance at 31 December 2020	1,469	174	10,256	11,899

The Bank

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	1,459	155	10,921	12,535
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(22)	22	-	-
- to stage 3	(11)	(185)	196	-
Net increase for the year	606	648	10,494	11,748
Write-offs and disposals during the year	-	-	(4,082)	(4,082)
Others	(1)	-	-	(1)
Balance at 31 December 2021	2,031	640	17,529	20,200

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	1,574	53	7,755	9,382
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(42)	42	-	-
- to stage 3	-	(23)	23	-
Net (decrease) / increase for the year	(73)	83	4,173	4,183
Write-offs and disposals during the year	-	-	(1,030)	(1,030)
Balance at 31 December 2020	1,459	155	10,921	12,535

(c) Financial investments measured at FVOCI

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Government bonds		187,196	230,989	187,196	230,989
Bonds issued by policy banks		93,264	115,245	93,264	115,245
Bonds issued by financial institutions		83,847	80,328	81,869	79,628
Corporate bonds		82,762	86,751	80,419	82,188
Deposit certificates issued by other financial institutions		11,726	3,833	11,726	3,833
Asset management plans		9,200	45,011	9,198	43,997
ABS		5,134	7,818	5,134	7,818
Equity investments		6,254	5,018	6,254	5,018
Other equity investment		828	817	828	817
Subtotal		480,211	575,810	475,888	569,533
Accrued interest		6,490	7,811	6,488	7,810
Total		486,701	583,621	482,376	577,343

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

The Group

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	537	101	1,177	1,815
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(43)	148	(105)	-
- to stage 3	-	(2)	2	-
Net decrease for the year	(143)	(21)	(349)	(513)
Written-offs	-	-	(64)	(64)
Others	(11)	(2)	(21)	(34)
Balance at 31 December 2021	340	224	640	1,204

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	367	83	747	1,197
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(2)	2	-	-
- to stage 3	(6)	(36)	42	-
Net increase for the year	185	52	413	650
Others	(7)	-	(25)	(32)
Balance at 31 December 2020	537	101	1,177	1,815

The Bank

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2021	419	56	598	1,073
Transfer for the year:				
- to stage 1	-	-	-	-
- to stage 2	(43)	43	-	-
- to stage 3	-	(2)	2	-
Net (decrease) / increase for the year	(50)	84	(311)	(277)
Written-offs	-	-	(64)	(64)
Others	(8)	(1)	(5)	(14)
Balance at 31 December 2021	318	180	220	718

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2020	292	41	414	747
Transfer for the year:				
- to stage 1	-	-	-	-
- to stage 2	(2)	2	-	-
- to stage 3	-	(36)	36	-
Net increase for the year	136	49	170	355
Others	(7)	-	(22)	(29)
Balance at 31 December 2020	419	56	598	1,073

15 Investments in associate and joint ventures

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Investments in joint ventures	III.38(2)	2,513	2,127	2,513	2,127
Investments in associate	III.38(2)	306	274	-	-
Total		2,819	2,401	2,513	2,127

The Group

	1 January 2021	Increased/(decreased) Investment	Net income adjusted by equity method	OCI adjusted by equity method	Declared cash dividends	Other change	31 December 2021
AXA SPDB Investment Managers Co., Ltd.	1,384	-	186	-	(51)	-	1,519
SPDB Silcon Valley Bank	743	250	4	1	-	(4)	994
Others	274	(1)	33	-	-	-	306
Total	2,401	249	223	1	(51)	(4)	2,819

	1 January 2020	Increased Investment	Net income adjusted by equity method	Declared cash dividends	Other change	31 December 2020
AXA SPDB Investment Managers Co., Ltd.	1,336	-	130	(82)	-	1,384
SPDB Silcon Valley Bank	505	250	-	-	(12)	743
Others	208	51	16	-	(1)	274
Total	2,049	301	146	(82)	(13)	2,401

16 Fixed assets

The Group

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Plane and ship equipments	Construction in progress	Total
Cost						
1 January 2020	13,715	447	8,306	17,279	3,973	43,720
Additions	472	33	1,468	1,186	1,197	4,356
Transferred from / (to) construction in progress	-	-	10	-	(162)	(152)
Disposals	(3)	(27)	(910)	-	-	(940)
31 December 2020	14,184	453	8,874	18,465	5,008	46,984
Additions	26	33	1,737	4,954	2,437	9,187
Transferred from / (to) construction in progress	-	-	19	-	(224)	(205)
Disposals	(71)	(37)	(821)	-	-	(929)
31 December 2021	14,139	449	9,809	23,419	7,221	55,037
Accumulated depreciation						
1 January 2020	(4,353)	(358)	(6,367)	(2,259)	-	(13,337)
Charge	(488)	(27)	(845)	(811)	-	(2,171)
Disposal	1	24	863	-	-	888
31 December 2020	(4,840)	(361)	(6,349)	(3,070)	-	(14,620)
Charge	(461)	(25)	(1,107)	(1,035)	-	(2,628)
Disposal	71	34	814	-	-	919
31 December 2021	(5,230)	(352)	(6,642)	(4,105)	-	(16,329)
Net book value						
31 December 2021	8,909	97	3,167	19,314	7,221	38,708
31 December 2020	9,344	92	2,525	15,395	5,008	32,364

As at 31 December 2021, the net book value of RMB 19.31 billion (31 December 2020: RMB 15.40 billion) of the flight and ship equipment were rent out under operating lease by the Group's subsidiary, Puyin Financial Leasing Co., Ltd..

The Bank

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Construction in progress	Total
Cost					
1 January 2020	13,108	413	8,031	3,970	25,522
Additions	472	29	1,436	944	2,881
Transferred from / (to) constructions in progress	-	-	10	(145)	(135)
Disposals	(3)	(20)	(892)	-	(915)
31 December 2020	13,577	422	8,585	4,769	27,353
Additions	20	31	1,683	2,035	3,769
Transferred from / (to) constructions in progress	-	-	19	(218)	(199)
Disposals	(71)	(36)	(770)	-	(877)
31 December 2021	13,526	417	9,517	6,586	30,046
Accumulated					
1 January 2020	(4,180)	(329)	(6,161)	-	(10,670)
Charge	(459)	(25)	(813)	-	(1,297)
Disposals	1	18	845	-	864
31 December 2020	(4,638)	(336)	(6,129)	-	(11,103)
Charge	(430)	(23)	(1,052)	-	(1,505)
Disposals	71	34	765	-	870
31 December 2021	(4,997)	(325)	(6,416)	-	(11,738)
Net book value					
31 December 2021	8,529	92	3,101	6,586	18,308
31 December 2020	8,939	86	2,456	4,769	16,250

As at 31 December 2021, the land and buildings with original cost of RMB 677 million and net book value of RMB 517 million were in use by the Group and the Bank while the property right registration were still in progress.

As at 31 December 2020, the land and buildings with original cost of RMB 906 million and net book value of RMB 735 million were in use by the Group and the Bank while the property right registration were still in progress.

17 Lease

(1) Right-of-use assets

The Group

	Plant & buildings	Equipment & other	Total
Cost			
1 January 2020	16,097	427	16,524
Additions	4,500	46	4,546
Disposals	(4,136)	(295)	(4,431)
31 December 2020	16,461	178	16,639
Additions	2,938	22	2,960
Disposals	(2,540)	(62)	(2,602)
31 December 2021	16,859	138	16,997
Accumulated amortisation			
1 January 2020	(8,488)	(319)	(8,807)
Additions	(2,681)	(32)	(2,713)
Disposals	3,073	254	3,327
31 December 2020	(8,096)	(97)	(8,193)
Additions	(2,685)	(33)	(2,718)
Disposals	2,416	58	2,474
31 December 2021	(8,365)	(72)	(8,437)
Net book value			
31 December 2021	8,494	66	8,560
31 December 2020	8,365	81	8,446

(2) Lease liabilities

As at 31 December 2021, the analysis by remaining maturity date of the Group is as follows：

	31 December 2021	31 December 2020
Within 3 months	793	766
3 months to 1 year	2,152	1,991
1 year to 5 years	5,576	5,688
More than 5 years	634	890
Total undiscounted lease liabilities	9,155	9,335
Book value of lease liabilities at year-end	8,451	8,544

18 Intangible assets

The Group

	Land use rights	Software and others	Brand and franchise right	Total
Cost				
1 January 2020	6,800	5,662	2,236	14,698
Additions	-	1,425	-	1,425
Disposals	-	(1)	-	(1)
31 December 2020	6,800	7,086	2,236	16,122
Additions	-	1,570	-	1,570
Disposals	-	(30)	-	(30)
31 December 2021	6,800	8,626	2,236	17,662
Accumulated				
1 January 2020	(454)	(3,887)	-	(4,341)
Amortization	(173)	(1,086)	-	(1,259)
Disposals	-	1	-	1
31 December 2020	(627)	(4,972)	-	(5,599)
Amortization	(173)	(1,382)	-	(1,555)
Disposals	-	30	-	30
31 December 2021	(800)	(6,324)	-	(7,124)
Net book value				
31 December 2021	6,000	2,302	2,236	10,538
31 December 2020	6,173	2,114	2,236	10,523

The Bank

	Land use rights	Software and others	Total
Cost			
1 January 2020	6,797	4,852	11,649
Additions	-	1,400	1,400
Disposals	-	(1)	(1)
31 December 2020	6,797	6,251	13,048
Additions	-	1,541	1,541
Disposals	-	(1)	(1)
31 December 2021	6,797	7,791	14,588
Accumulated			
1 January 2020	(454)	(3,128)	(3,582)
Amortization	(173)	(1,060)	(1,233)
Disposals	-	1	1
31 December 2020	(627)	(4,187)	(4,814)
Amortization	(173)	(1,363)	(1,536)
Disposals	-	1	1
31 December 2021	(800)	(5,549)	(6,349)
Net book value			
31 December 2021	5,997	2,242	8,239
31 December 2020	6,170	2,064	8,234

19 Goodwill

	31 December 2021	31 December 2020
Goodwill		
-Shanghai International Trust Co., Ltd. (“Shanghai International Trust”)	6,981	6,981
Less：impairment allowances	-	-
Total	6,981	6,981

The goodwill is recognized as a result of the Bank’s issuance of share capital to acquire 97.33% equity of Shanghai International Trust in March 2016.

The goodwill allocated to the CGU or CGUs on transcation date according to operating segments are summarised as follows:

	31 December 2020 and 2021
Shanghai International Trust	4,739
Subsidiaries of Shanghai International Trust	2,242
Total	6,981

In the case of a goodwill impairment test, the Group compares the book value of CGU or CGUs (including goodwill) with its recoverable amount. If the recoverable amount is less than the book value, the related difference is recognised in profit or loss. The Group's goodwill allocation has not changed during the year.

On 31 December 2021, the recoverable amounts of the asset group or a set of asset groups of individual subsidiaries of Shanghai International Trust were determined by reference to its fair value less cost to sell. The relevant fair values were determined on the basis of management's resolution of those charged with governance and the relevant signed documents.

Except the description above, the Group calculates the recoverable amount of CGU and CGUs using cash flow models based on the management's approved five year financial forecasts. The Group determines the growth rate based on historical experience and market development forecasts, and uses a pre-tax rate that reflects the specific risk relating to the relevant CGU and CGUs as the discount rate. The stable period growth rate is the weighted average growth rate used for subsequent cash flows after the five-year forecast period.

20 Deferred income tax

20.1 The table below includes the deferred income tax assets and liabilities of the Group and the Bank after offsetting qualifying amounts:

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deferred income tax assets	58,962	52,358	57,542	51,049
Deferred income tax liabilities	(638)	(689)	-	-

20.2 Deferred income tax assets / liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

The Group

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	227,429	56,857	197,668	49,400
Fair value changes of derivative financial instruments	29,528	7,382	61,146	15,286
Employee benefits payable	7,770	1,943	7,425	1,856
Provisions	6,275	1,569	5,280	1,320
Fair value changes of assets measured at FVOCI	5,026	1,218	1,039	260
Fair value changes of assets and liabilities measured at FVTPL	1,466	357	2,685	671
Fair value changes of precious metals and commodities	-	-	620	155
Others	6,004	1,501	6,029	1,509
Subtotal	283,498	70,827	281,892	70,457
Offset amounts		(11,865)		(18,099)
Deferred income tax assets after offsetting		58,962		52,358

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(33,773)	(8,443)	(63,589)	(15,897)
Fair value changes of financial investment measured at FVOCI	(7,051)	(1,763)	(4,179)	(1,045)
Fair value changes of assets and liabilities measured at FVTPL	(6,302)	(1,571)	(3,596)	(899)
Differences between fair value and carrying amount of identifiable net assets arising from business combinations of entities not under common control	(2,544)	(636)	(2,888)	(689)
Fair value changes of precious metals and commodities	(354)	(88)	(900)	(225)
Others	(8)	(2)	(144)	(33)
Subtotal	(50,032)	(12,503)	(75,296)	(18,788)
Offset amounts		11,865		18,099
Deferred tax liabilities after offsetting		(638)		(689)

The Bank

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	223,468	55,867	193,692	48,423
Fair value changes of derivative financial instruments	29,507	7,377	61,137	15,284
Employee benefits payable	7,566	1,892	7,233	1,808
Provision	6,272	1,568	5,276	1,319
Fair value changes of assets measured at FVOCI	4,396	1,099	935	234
Fair value changes of assets and liabilities measured at FVTPL	1,355	339	2,685	671
Fair value changes of precious metals and commodities	-	-	620	155
Others	4,998	1,249	4,841	1,211
Subtotal	277,562	69,391	276,419	69,105
Offset amounts		(11,849)		(18,056)
Deferred tax liabilities after offsetting		57,542		51,049

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(33,756)	(8,439)	(63,589)	(15,897)
Fair value changes of financial investment measured at FVOCI	(7,051)	(1,763)	(4,179)	(1,045)
Fair value changes of assets and liabilities measured at FVTPL	(6,236)	(1,559)	(3,447)	(862)
Fair value changes of precious metals and commodities	(354)	(88)	(900)	(225)
Others	-	-	(108)	(27)
Subtotal	(47,397)	(11,849)	(72,223)	(18,056)
Offset amounts		11,849		18,056
Deferred tax liabilities after offsetting		-		-

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

		The Group		The Bank	
	Note	2021	2020	2021	2020
Balance at the beginning of the year		51,669	45,075	51,049	44,763
Charged to profit or loss	III.7	6,389	5,512	6,322	5,200
Charged to other comprehensive income	III.34	266	1,082	171	1,086
Balance at the end of the year		58,324	51,669	57,542	51,049

21 Other assets

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Suspense accounts	66,394	57,674	66,384	57,661
Margin deposits	14,355	10,480	14,355	10,480
Other receivables	4,983	7,487	3,842	6,046
Prepayment for land-use rights and constructions	4,256	4,770	2,150	2,353
Interest receivable	4,065	2,941	4,065	2,941
Payments to Trust Protection Fund	1,819	2,514	-	-
Long-term deferred expenses	1,180	371	1,118	329
Repossessed assets	612	720	555	678
Others	830	5,253	294	4,900
Total	98,494	92,210	92,763	85,388

22 Deposits and placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deposits from domestic banks	208,531	282,404	215,512	290,180
Deposits from overseas banks	1,478	11,510	1,478	11,510
Deposits from domestic non-bank financial institutions	702,353	872,880	703,484	874,951
Deposits from overseas non-bank financial institutions	9,888	13,164	10,230	13,437
Placements from domestic banks	139,511	123,653	70,053	75,050
Placements from overseas banks	40,244	48,296	32,579	41,342
Placements from domestic non-bank financial institutions	2,600	10,320	-	500
Accrued interest	2,170	3,345	1,942	3,086
Total	1,106,775	1,365,572	1,035,278	1,310,056

23 Financial liabilities measured at FVTPL

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financial liabilities related to precious metals		18,861	6,067	18,861	6,067
Financial liabilities related to short selling of bonds		1,093	-	1,093	-
Interest of other unitholders in consolidated structured entities	(1)	11,326	9,990	-	-
Total		31,280	16,057	19,954	6,067

(1) The Group designated interests attributable to other unit holders in consolidated structured entities as financial liabilities measured at FVTPL. As at 31 December 2021 and 31 December 2020, no significant fair value changes have occurred due to changes in the Group's own credit risk.

24 Financial assets sold under repurchase agreements

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Bonds	130,170	125,010	125,989	118,089
Discounted bills	44,016	107,273	44,016	107,273
Accrued interest	33	63	33	63
Total	174,219	232,346	170,038	225,425

25 Deposits from customers

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Current deposits				
-corporate	1,745,409	1,606,179	1,738,847	1,598,391
-retail	340,312	304,281	337,563	301,612
Time deposits				
-corporate	1,631,948	1,508,210	1,628,886	1,505,404
-retail	682,684	655,153	664,599	637,444
Other deposits	2,703	2,661	2,676	2,626
Subtotal	4,403,056	4,076,484	4,372,571	4,045,477
Accrued interest	60,552	45,923	59,404	44,864
Total	4,463,608	4,122,407	4,431,975	4,090,341

26 Debt securities issued

		The Group		The Bank	
	Note	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Interbank deposit certificates and deposit certificates issued	(1)	900,375	780,410	900,375	780,410
Bonds issued					
Subordinated bond issued in 2011	(2)	-	18,400	-	18,400
Subordinated bond issued in 2012	(3)	12,000	12,000	12,000	12,000
Green Financial Bond 02	(4)	-	15,000	-	15,000
Green Financial Bond 03	(5)	-	15,000	-	15,000
2018 Tier II First Financial Bond	(6)	20,000	20,000	20,000	20,000
2018 Tier II Second Financial Bond	(7)	20,000	20,000	20,000	20,000
2019 First Special Financial Bond for Small and Micro Enterprise Loans	(8)	50,000	50,000	50,000	50,000
2020 Tie II First Financial bond	(9)	32,000	32,000	32,000	32,000
2020 Tier II Second Financial Bond	(10)	8,000	8,000	8,000	8,000
2020 Tier II Third Financial Bond	(11)	30,000	30,000	30,000	30,000
2020 Tier II Fourth Financial Bond	(12)	10,000	10,000	10,000	10,000
2020 First Financial Bond	(13)	50,000	50,000	50,000	50,000
2021 First Financial Bond	(14)	60,000	-	60,000	-
2021 Second Financial Bond	(15)	40,000	-	40,000	-
Hong Kong medium-term note	(16)	11,513	8,829	11,513	8,829
Singapore medium-term note	(17)	1,912	1,962	1,912	1,962
London medium-term note	(18)	1,912	1,962	1,912	1,962
SPDB Convertible corporate bonds	(19)	49,998	49,999	49,998	49,999
2018 SPDB Financial Leasing Financial Bond	(20)	-	5,000	-	-
2019 First SPDB Financial Leasing Financial Bond	(21)	2,000	2,000	-	-
2019 Second SPDB Financial Leasing Financial Bond	(22)	2,000	2,000	-	-
2020 Tier II SPDB Financial Leasing Financial Bond	(23)	1,100	1,100	-	-
2020 SPDB Financial Leasing Financial Bond	(24)	3,000	3,000	-	-
2021 SPDB Financial Leasing Financial Green Bond	(25)	3,000	-	-	-
2021 First SPDB Financial Leasing Financial Bond	(26)	2,000	-	-	-
Subtotal		410,435	356,252	397,335	343,152
Less: Unamortized issue cost		459	(975)	479	(961)
Debt securities issued		410,894	355,277	397,814	342,191
Accrued interest		5,852	4,966	5,702	4,778
Total		1,317,121	1,140,653	1,303,891	1,127,379

(1) As at 31 December 2021, the Group issued a total of 191 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 1 years and interest rates falling within a range from 2.30% to 3.18% (As at 31 December 2020, the Group issued a total of 323 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 1 years and interest rates falling within a range from 1.40% to 3.36%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2021, the number of deposit certificates publicly issued but not yet expired were 77 in total, with the longest term to maturity being 1 year and interest rates falling within a range from 0% to 3.15% (as at 31 December 2020, the number of deposit certificates publicly issued but not yet expired were 72 in total, with the longest term to maturity being 1 year and interest rates falling within a range from 0% to 2.06%).

(2) The Bank issued subordinated bond in the amount of RMB 18.4 billion in the domestic inter-bank market on 11 October 2011 which have a term of 15 years through maturity, with a fixed annual coupon rate of 6.15%. The Bank has already redeemed the entire portion of bond.

(3) The Bank issued subordinated bond in the amount of RMB 12 billion in the domestic inter-bank market on 27 December 2012 which have a term of 15 years through maturity, with a fixed annual coupon rate of 5.20%. The Bank is entitled to redeem entire portion of bond at face value on its tenth anniversary.

(4) The Bank issued “2016 Second Green Financial Bond” in the amount of RMB 15 billion in the domestic inter-bank market on 25 March 2016 which has a term of 5 years through maturity, with a fixed annual coupon rate of 3.20%.

(5) The Bank issued “2016 Third Green Financial Bond” in the amount of RMB 15 billion in the domestic inter-bank market on 14 July 2016 which has a term of 5 years through maturity, with a fixed annual coupon rate of 3.40%.

(6) The Bank issued Tier II capital instruments in the amount of RMB 20 billion in the domestic inter-bank market on 5 September 2018 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.96%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(7) The Bank issued Tier II capital instruments in the amount of RMB 20 billion in the domestic inter-bank market on 14 September 2018 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.96%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(8) The Bank issued “2019 First Special Financial Bond for Small and Micro Enterprise Loans” in the amount of RMB 50 billion in the domestic inter-bank market on 25 March 2019 which have a term of 3 years, with a fixed annual coupon rate of 3.50%.

(9) The Bank issued Tier II capital instruments in the amount of RMB 32 billion in the domestic inter-bank market on 30 July 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 3.87%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(10) The Bank issued Tier II capital instruments in the amount of RMB 8 billion in the domestic inter-bank market on 30 July 2020 which have a term of 15 years through maturity, with a fixed annual coupon rate of 4.18%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its tenth anniversary under certain conditions.

(11) The Bank issued Tier II capital instruments in the amount of RMB 30 billion in the domestic inter-bank market on 15 September 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.27%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(12) The Bank issued Tier II capital instruments in the amount of RMB 10 billion in the domestic inter-bank market on 15 September 2020 which have a term of 15 years through maturity, with a fixed annual coupon rate of 4.52%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its tenth anniversary under certain conditions.

(13) The Bank issued “2020 First Financial Bond” in the amount of RMB 50 billion in the domestic inter-bank market on 27 April 2020 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.08%.

(14) The Bank issued “2021 First Financial Bond” in the amount of RMB 60 billion in the domestic inter-bank market on 23 March 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.48%.

(15) The Bank issued “2021 Second Financial Bond” in the amount of RMB 40 billion in the domestic inter-bank market on 2 December 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.97%.

(16) The Bank issued USD 350 million medium-term note in Hong Kong Stock Exchange on 13 July 2017 which has a term of 5 years through maturity, with a flexible annual coupon rate of 3ML+95BPS. The Bank issued USD 500 million medium-term note in Hong Kong Stock Exchange on 24 September 2018 which has a term of 5 years through maturity, with a flexible annual coupon rate of 3ML+84BPS, which has expired this year. The Bank issued USD 500 million medium-term note in Hong Kong Stock Exchange on 27 July 2020 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS. The Bank simultaneously issued HK 2 billion medium-term notes and US 700 million medium-term notes in Hong Kong Stock Exchange on 13 July 2021 which has the term of 2 years and 3 years respectively, and the coupon rate is 0.600% of the fixed interest rate and 0.875% of the fixed interest rate respectively.

(17) The Bank issued USD 300 million medium-term note in Singapore Exchange Limited on 26 November 2018 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+87BPS. On January 19, 2021, the Bank issued medium-term notes totaling USD 300 million on the Singapore Exchange; the notes have a term of 3 years and a fixed coupon rate of 1.056% per annum.

(18) The Bank issued issued USD 300 million medium-term notes in London Stock Exchange on 29 October 2019 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+70BPS.

(19) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB50 billion, A-share convertible corporate bonds on 15 November 2019. The convertible corporate bonds have a term of six years from 28 October 2019 to 27 October 2025, at coupon rates of 0.20% for the first year, 0.80% for the second year, 1.50% for the third year, 2.10% for the fourth year, 3.20% for the fifth year and 4.00% for the sixth year. The bond is payable on an annual basis, with principal and last year's interest due. The conversion of these convertible corporate bonds begins from the first trading day after six months upon the completion date of the offering (4 May 2020) to the maturity date (27 October 2025).

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB 15.05 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances (excluding the conversion of convertible bonds due to this issue). The holder of this bond applies for a conversion within the conversion period. The number of conversions is calculated by dividing the total amount of the bond faced by the bond holder applying for the conversion by the effective conversion price on the day of application for the conversion. Within five trading days after the expiration of the convertible bonds issued by the Bank, the Bank will redeem all unconverted convertible bonds at 110% of the face value of the bonds' convertible bonds (including the interest of the last year). For the specific issuance terms of this bond, please refer to the relevant issuance announcement.

As at 31 December 2021, a total of RMB 1,290,000 covertible corporate bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 87,609, and it accounts for 0.0003% of the total issued ordinary shares of the company before the convertible bonds of Shanghai Pudong Development Bank. The cumulative effect of the conversion on other equity instruments of the Bank was not material.

The liabilities and equity components of the convertible corporate bonds issued by the group and the bank are as follows:

	Liability	Equity (Note III.29)	Total
Issued amount of convertible bonds	47,214	2,786	50,000
Direct issuance expenses	(78)	(4)	(82)
Balance at the issuance date	47,136	2,782	49,918
Amortisation in the prior year	1,989	-	1,989
Converted bonds in the prior years	(1)	-	(1)
Balance at 1 January 2021	49,124	2,782	51,906
Amortisation in the current period	1,442	-	1,442
Converted bonds during the year	(1)	-	(1)
Balance at 31 December 2021	50,565	2,782	53,347

(20) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2018 Financial Bond” in the amount of RMB 5 billion in the domestic inter-bank market on 19 July 2018 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.49%.

(21) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2019 first Financial Bond” in the amount of RMB 2 billion in the domestic inter-bank market on 23 July 2019 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.62%.

(22) SPDB Financial Leasing Co., Ltd, the subsidiary of the Bank, issued “2019 second Financial Bond” in the amount of RMB 2 billion in the domestic inter-bank market on 20 August 2019 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.45%.

(23) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bankissued Tier II capital instruments in the amount of RMB 1.1 billion in the domestic inter-bank market on 11 August 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.20%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.

(24) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2020 Financial Bond” in the amount of RMB 3 billion in the domestic inter-bank market on 17 November 2020 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.88%.

(25) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2021 Green Finance Bonds” in the amount of RMB 3 billion in the domestic inter-bank market on 6 July 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.38%.

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

27 Provisions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2019
Impairment allowance for financial guarantees and loan commitments	6,274	5,280	6,271	5,276
Others	1	-	1	-
	6,275	5,280	6,272	5,276

28 Other liabilities

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Suspense accounts	25,001	24,084	24,998	24,079
Employee benefits payable	14,865	13,822	13,068	12,183
VAT and other taxes payable	5,259	3,889	4,202	3,089
Advance from performance deposits and other deposits	3,288	9,739	202	5,777
Contract liabilities	3,140	2,832	2,545	1,954
Accrued expenses	2,758	1,406	2,748	1,391
Others	4,846	6,325	2,313	3,450
Total	59,157	62,097	50,076	51,923

29 Share capital

The Group and the Bank

	31 December 2021	31 December 2020
Domestic listed RMB ordinary share (A shares)	29,352	29,352

A shares issued by the Bank are all ordinary share, with par value of RMB 1 per share. All shares rank pari passu in all respects with each other.

30 Other equity instrument

	Note	31 December 2021	31 December 2020
Other equity instruments included in the tier 1 capital of the Bank-Equity of SPDB - convertible corporate bonds	(1)	2,782	2,782
Other equity instruments included in other tier 1 capital of the Bank	(2)	109,909	109,909
Total		112,691	112,691

(1) As at 31 December 2021, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2020: RMB 2,782 million), see note III. 26(19) for specific information.

(2) Other equity instruments included in other tier 1 capital of the Bank

Name of other equityinstruments outstanding	Dividend rate	Issuance Price (RMB)	Number	Opening amount	Movements during the year	Closing amount	Maturity date or renewals	Conversion (Yes/No)
Jiangyinyou 1(a)	6% for the first five years; 5.58% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
Jiangyinyou 2(a)	5.5% for the first five years 4.81% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
19 SPDB Capital bonds with unfixed termss (b)	4.73% for the first five years	100	300 million	30,000	-	30,000	No maturity date	No
20 SPDB Capital bonds with unfixed termss (b)	4.75% for the first five years	100	500 million	50,000	-	50,000	No maturity date	No
Less: Issue expenses				(91)	-	(91)		
Carrying amount				109,909	-	109,909		

(a) On 28 November 2014 and 6 March 2015, the Bank issued non-cumulative preference shares with a total par value of RMB 30 billion. The proceeds after deducting transaction costs amounted to RMB 29.92 billion and were recorded as other equity instruments. The Bank has the option to redeem part or all outstanding preference shares on any dividend payment date after five years from the issuance if certain conditions are met, under the approval obtained from the CBIRC. Holders of the preference shares have no right to require the Bank to redeem the outstanding preference shares. Dividends of the preference shares are payable in cash on annual basis at a fixed dividend rate which is adjusted every five years. The Bank at its discretion has the right not to declare and distribute the dividends of the preference shares in part or full.

Upon occurrence of any of the following triggering events and subject to the approval from the CBIRC, the Bank’s outstanding preference shares shall be mandatorily converted in part or full to the Bank’s ordinary shares:

1、 When the core tier 1 capital adequacy ratio of the Bank decreases to 5.125%(or below), upon the approval from the Board of Directors, the outstanding preference share shall be converted into the Bank’s ordinary shares in part or full at a pre-determined mandatory conversion price so as to bring the Bank’s core tier 1 capital adequacy ratio back to above 5.125%;

2、When any triggering event of the Bank’s tier 2 capital instruments occurs, the outstanding preference shares shall be converted to the Bank’s ordinary A shares at the pre-determined mandatory conversion price.

Under the approval from regulatory authority, the outstanding preference shares will be fully or partially converted to ordinary A-shares at the price of RMB 7.62 per share when meeting the mandatory conversion triggering conditions. If the Bank subsequently appropriates bonus shares, transfers retained earnings to ordinary shares, issues new ordinary shares (excluding any increase of ordinary shares due to conversion of convertible financial instruments issued by the Bank, such as preference shares and convertible bonds, etc.) or issue rights, the conversion price shall be adjusted subject to the terms and formula provided by the offering documents to adjust for the dilutive effects of these specified increases in ordinary shares.

Pursuant to the relevant laws and regulations, and the Approval from CBIRC on the Bank’s Non-Public Offering of Preference Shares and Corresponding Revisions to the Article of Association (YJF[2014]No.564), the proceeds from the issuance of preference shares shall be used to supplement the other tier 1 capital of the Bank.

Upon liquidation, the holders of the Bank’s preference shares are entitled to the repayment at the par value of the outstanding preference shares prior to any distribution to the holders of the Bank’s ordinary shares. If the remaining assets of the Bank are not sufficient to cover the par value, they are allocated to the holders of preference shares on proportionate basis.

(b) The Bank issued “2019 Perpetual bond of the Shanghai Pudong Development Bank Co., Ltd. ” (RMB 30 billion) and “2020 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd.” (RMB 50 billion) in the inter-bank market on July 2019 and November 2020 respectively, which were all accounted for as other equity instruments after deducting issuance expenses .The duration of this Perpetual bond was consistent with the duration of the Bank's continuing operations. The Bank shall have the right to redeem the Perpetual bondin whole or in part on the fifth distribution payment date since the issuance, provided that prerequisite for redemption is met and such redemption is approved by the CBIRC, and the bond investors have no right to request the Bank to redeem the capital bonds with unfixed terms. The Bank shall have the right to cancel, in whole or in part, distributions on the Perpetual bond

Pursuant to applicable laws and regulations and the “China Banking and Insurance Regulatory Commission's Reply on the Issuance of Unfixed-Term Capital Bonds by SPDB” (Yinbao Jianfu [2019] No. 596) and the “China Banking and Insurance Regulatory Commission's Reply on the Issuance of Unfixed-Term Capital Bonds by SPDB” (Yinbao Jianfu [2020] No. 595), the funds raised from Perpetual bond are used to supplement other Tier 1 capital of the Bank.

The compensation order of the Perpetual bond is behind of depositors, general creditors and subordinated debts that are prior than the capital bonds with unfixed terms, and ahead of all types of shares held by shareholders of the Bank; the Perpetual bond will be compensated in the same order with other Tier 1 capital instruments which have the same compensation order.

As for the “2019 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd.”, the Bank has the right to write down the bonds without obtaining the consent of the Perpetual bondinvestor when the Bank triggers the following trigger events as deemed by the CBIRC or relevant departments and obtains regulatory approval.

1. Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Perpetual bondissued and existing at that time in accordance with the total par value, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%.

2. When any triggering event of the Bank’s tier 2 capital instruments occurs, the Bank has the right to write down all the above Perpetual bondissued and existing at that time in accordance with the total par value without the consent of the bondholders.

As for the “2020 Perpetual bondof the Shanghai Pudong Development Bank Co., Ltd.”, if the trigger events does not occurr, the Bank has the right to write down the bonds without obtaining the consent of the bond holder.

No occurrence of trigger events refers to the earlier of the below situation: (1) CBIRC determines that the issuer will not survive without written-off; or (2) the relevant departments determine that the issuer will not survive without the capital contribution from public sector or equivalent support.

31 Capital reserves

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Share premium	81,691	81,690	81,691	81,690
Other capital surplus				
- Capital increase of subsidiaries	50	50	-	-
- Others	21	21	21	21
Total	81,762	81,761	81,712	81,711

As mentioned in Note III. 26(19), with the approval of the CBIRC and other relevant institutions, the Bank publicly issued A-share convertible corporate bonds with a face value of RMB 50 billion in 2019. As of December 31, 2021, about RMB 1,290,000 of convertible corporate bonds had been converted into A-share ordinary shares, accumulatively increasing the bank's share capital to 87,609 shares, and increasing the Bank's share capital premium accordingly.

32 Surplus reserves

The Group and The Bank

	1 January 2021	Addition	31 December 2021
Statutory reserve	22,206	-	22,206
Discretionary reserve	120,533	16,553	137,086
Total	142,739	16,553	159,292

	1 January 2020	Addition	31 December 2020
Statutory reserve	22,206	-	22,206
Discretionary reserve	103,599	16,934	120,533
Total	125,805	16,934	142,739

Pursuant to related PRC regulations, the Bank is required to appropriate 10% of its annual net profit to a statutory reserve until such reserve has reached 50% of ordinary shares. After the appropriation of statutory reserve, the Bank may further appropriate discretionary reserve.

33 General risk reserve

The Group

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

	1 January 2020	Addition	31 December 2020
General risk reserve	76,249	3,391	79,640

The Bank

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

	1 January 2020	Change	31 December 2020
General risk reserve	74,900	3,100	78,000

Pursuant to Caijin [2012] No. 20 “Administration Rules on Appropriation to General Risk Reserve for Financial Institutions” issued by MOF, the Bank is required to make appropriation to a general risk reserve.

General risk reserve of the Group also includes appropriation of the Bank’s subsidiaries required by industry or district regulations.

34 Other reserves

The Group

	Opening balance of other comprehensive income attributable to the Bank's Shareholders	for the year from 1 January 2021 to 31 December 2021					Ending balance of other comprehensive income attributable to the Bank's Shareholders
		Transfer in before tax	Less： transfer out	Less： income tax	Attributable to the Bank after tax	Attributable to minority shareholders after tax	
Items that may be reclassified to profit or loss							
Debt instruments measured at FVOCI							
- Fair value changes	1,479	669	(1,214)	108	(440)	3	1,039
- Impairment allowance	2,081	(779)	(64)	170	(664)	(9)	1,417
Exchange differences from the translation of foreign operations	85	(101)	-	-	(100)	(1)	(15)
Cash flow hedge reserve	(3)	31	-	(2)	20	9	17
Others	-	1	-	-	1	-	1
Item that will not be reclassified to profit or loss							
Change in fair value of other equity instruments							
- Fair value changes	334	38	-	(10)	28	-	362
	3,976	(141)	(1,278)	266	(1,155)	2	2,821

	Opening balance of other comprehensive income attributable to the Bank's Shareholders	for the year from 1 January 2020 to 31 December 2020					Ending balance of other comprehensive income attributable to the Bank's Shareholders
		Transfer in before tax	Less: transfer out	Less: income tax	Attributable to the Bank after tax	Attributable to minority shareholders after tax	
Items that may be reclassified to profit or loss							
Debt instruments measured at FVOCI							
- Fair value changes	5,000	(1,936)	(2,741)	1,148	(3,521)	(8)	1,479
- Impairment allowance	1,334	937	-	(182)	747	8	2,081
Exchange differences from the translation of foreign operations	255	(184)	-	-	(170)	(14)	85
Cash flow hedge reserve	(1)	(5)	-	1	(2)	(2)	(3)
Item that will not be reclassified to profit or loss							
Change in fair value of other equity instruments							
- Fair value changes	679	(460)	-	115	(345)	-	334
	7,267	(1,648)	(2,741)	1,082	(3,291)	(16)	3,976

The Bank

	Opening balance of other comprehensive income	for the year from 1 January 2021 to 31 December 2021				Ending balance of other comprehensive income
		Transfer in before tax	Less：transfer out	Less：income tax	After tax	
Items that may be reclassified to profit or loss						
Financial investments measured at FVOCI						
- Fair value changes	1,676	1,007	(1,143)	34	(102)	1,574
- Impairment allowance	1,368	(523)	(64)	148	(439)	929
Exchange differences from the translation of foreign operations	(31)	7	-	-	7	(24)
Cash flow hedge reserve	2	6	-	(1)	5	7
Others	-	1	-	-	1	1
Item that will not be reclassified to profit or loss						
Change in fair value of other equity instruments						
- Fair value changes	334	38	-	(10)	28	362
	3,349	536	(1,207)	171	(500)	2,849

	Opening balance of other comprehensive income	for the year from 1 January 2020 to 31 December 2020				Ending balance of other comprehensive income
		Transfer in before tax	Less：transfer out	Less：income tax	After tax	
Items that may be reclassified to profit or loss						
Financial investments measured at FVOCI						
- Fair value changes	5,077	(2,047)	(2,487)	1,133	(3,401)	1,676
- Impairment allowance	884	645	-	(161)	484	1,368
Exchange differences from the translation of foreign operations	30	(61)	-	-	(61)	(31)
Cash flow hedge reserve	-	3	-	(1)	2	2
Item that will not be reclassified to profit or loss						
Change in fair value of other equity instruments						
- Fair value changes	679	(460)	-	115	(345)	334
	6,670	(1,920)	(2,487)	1,086	(3,321)	3,349

35 Profit appropriations

(1) Profit distribution for the year ended 31 December 2020

Pursuant to the approval at the Shareholders' meeting on 11 June 2021, the Bank's profit distribution plan for the year ended 31 December 2020 is as follows:

(i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 16,553 million;

(ii) Appropriate RMB 11 billion as general reserve;

(iii) The Bank declared and distributed cash dividends of RMB 4.8 (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution.

(2) Profit distribution for the year ended 31 December 2019

Pursuant to the approval at the Shareholders' meeting on 19 June 2020, the Bank's profit distribution plan for the year ended 31 December 2019 is as follows:

(i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 16,934 million;

(ii) Appropriate RMB 3.1 billion as general reserve;

(iii) The Bank declared and distributed cash dividends of RMB 6 (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution.

(3) Dividend distribution for preference shares

On 19 November 2021, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 837 million in total (tax included) on 3 December 2021, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 24 February 2021, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 721.5 million in total (tax included) on 11 March 2021, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

On 18 November 2020, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 837 million in total (tax included) on 3 December 2020, which were calculated according to the rate of Pufayou 1 (5.58%).

On 2 February 2020, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 825 million in total (tax included) on 11 March 2020, which were calculated according to the rate of Pufayou 2 (5.5%).

(4) Interests payment of capital bonds with unfixed terms

In November 2021, the Bank has declared the distribution of RMB 2.375 billion of interests of prepertual bonds according to the relevant terms of issuance of the 2020 capital bonds with unfixed terms.

In July 2021, the Bank has declared the distribution of RMB 1.419 billion of interests of prepertual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

In July 2020, the Bank has declared the distribution of RMB 1.419 billion of interests of prepertual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

36 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets.

Assets backed securitization transaction

For the year ended 31 December 2021, the Group transferred financial assets amounted to RMB 18,464 million through assets backed securitization transactions, and all have met the requirement of derecognition (For the year ended 31 December 2020, the Group transferred financial assets amounted to RMB 23,948 million through assets backed securitization transactions, and all have met the requirement of derecognition).

As at 31 December 2021, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 35,874 million (31 December 2020: RMB 22,276 million) to securitised entities. The Group neither transfers nor retains substantially all of the risks and rewards related to ownership of the credit assets, but it retains control over the credit assets. The Group will recognise the assets on the balance sheet according to the degree of its continued involvement, and the rest will be derecognised. As at 31 December 2021, the assets value of the Group’s continued recognition was RMB 4,650 million (31 December 2020: RMB 2,639 million).

Transfer of loans assets

For the year ended 31 December 2021, the Group directly transferred and derecognized a total amount of RMB 8,514 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition (For the year ended 31 December 2020, the Group directly transferred and derecognized a total amount of RMB 9,674 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition).

Securities lending transaction

In the securities lending transaction, the counterparty may sell or re-use the above securities in the condition that no default exists, but at the same time bear the obligation to return the above securities on the expiration date specified in the agreement. For the above business, the Group believes that the Group retains most of the risks and rewards of the relevant securities and therefore does not derecognize the relevant securities. As at 31 December 2021, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 40,639 million (31 December 2020: RMB 39,680 million).

37 Involvement with unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an Interest

The Group directly holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include fund investment, capital trust and asset management plans, ABS and other investments, the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

	The Group	
Carrying amount	31 December 2021	31 December 2020
Financial investments measured at FVTPL		
Fund investments	398,560	428,491
Capital trust and asset management plans	14,720	14,739
ABS	6,518	459
Wealth management products of other banks	10	-
Other investments	6,467	5,971
Financial investments measured at amortised cost		
Capital trust and asset management plans	433,573	360,756
ABS	127	280
Financial investments measured at FVOCI		
Asset management plans	9,198	44,424
ABS	5,134	7,818
Other equity investment	828	817

The maximum exposures to loss in the above capital trust and asset management plans are the amortised cost or fair value of the assets held by the Group at the reporting date. The maximum exposures to loss in the fund investment and other investments are the fair value of the assets held by the Group at the reporting date.

(2) Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, trust plan, fund investment and ABS. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2021, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2021, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, were RMB 1,170,405 million (31 December 2020: RMB 1,345,500 million) respectively.

During the year of 2021, the amount of the average exposure of financing transactions through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB Nil million (2020: RMB 59 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

As at 31 December 2021, the amount of assets held by the unconsolidated capital trust and asset management plans, which are sponsored by the Group, were RMB 387,901 million (31 December 2020: RMB 470,837 million) respectively.

As at 31 December 2021, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 265,135 million (31 December 2020: RMB 369,633 million) respectively.

As at 31 December 2021, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 197,136 million (31 December 2020: RMB 108,034 million) respectively.

(3) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2021

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB 6,369 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB 65,445 million).

The total amount of ABS issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB 593 million (The total amount of ABS issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB 625 million).

There was no trust plans or investments in funds issued by the Group after 1 January 2021 and expired before 31 December 2021.

In 2021, the income earned by the group in the above-mentioned structured entities is not significant (2020: not significant).

38 Interests in other entities

(1) Interests in major subsidiaries

(i) Major subsidiaries of the Group

Name of subsidiaries	***Place of main business***	***Place of registration***	***Obtaining method***	***Share-holding percentage (direct)***
SPDB Financial Leasing Co., Ltd.	Shanghai	Shanghai	Establishment	61.02%
Shanghai International Trust Co., Ltd.	Shanghai	Shanghai	Acquisition	97.33%
SPDB International Holding, Ltd.	Hong Kong	Hong Kong	Acquisition	100.00%
Mianzhu SPD Rural Bank Co., Ltd.	Mianzhu, Sichuan	Mianzhu, Sichuan	Establishment	55.00%
Liyang SPD Rural Bank Co., Ltd.	Liyang, Jiangsu	Liyang, Jiangsu	Establishment	51.00%
Gongyi SPD Rural Bank Co., Ltd.	Gongyi, Henan	Gongyi, Henan	Establishment	51.00%
Fengxian SPD Rural Bank Co., Ltd.	Fengxian, Shanghai	Fengxian, Shanghai	Establishment	51.00%
Zixing SPD Rural Bank Co., Ltd.	Zixing, Hunan	Zixing, Hunan	Establishment	51.00%
Chongqing Banan SPD Rural Bank Co., Ltd.	Banan, Chongqing	Banan, Chongqing	Establishment	51.00%
Zouping SPD Rural Bank Co., Ltd.	Zouping, Shandong	Zouping, Shandong	Establishment	51.00%
Zezhou SPD Rural Bank Co., Ltd.	Jincheng, Shanxi	Jincheng, Shanxi	Establishment	51.00%
Dalian Ganjingzi SPD Rural Bank Co., Ltd.	Ganjingzi, Liaoning	Ganjingzi, Liaoning	Establishment	51.00%
Hancheng SPD Rural Bank Co., Ltd.	Hancheng Shaanxi	Hancheng Shaanxi	Establishment	51.00%
Jiangyin SPD Rural Bank Co., Ltd.	Jiangyin, Jiangsu	Jiangyin, Jiangsu	Establishment	51.00%
Pingyang SPD Rural Bank Co., Ltd.	Pingyang, Zhejiang	Pingyang, Zhejiang	Establishment	51.00%
Xinchang SPD Rural Bank Co., Ltd.	Xinchang, Zhejiang	Xinchang, Zhejiang	Establishment	51.00%
Yuanjiang SPD Rural Bank Co., Ltd.	Yuanjiang, Hunan	Yuanjiang, Hunan	Establishment	51.00%
Chaling SPD Rural Bank Co., Ltd.	Zhuzhou, Hunan	Zhuzhou, Hunan	Establishment	51.00%
Linchuan SPD Rural Bank Co., Ltd.	Fuzhou, Jiangxi	Fuzhou, Jiangxi	Establishment	51.00%
Linwu SPD Rural Bank Co., Ltd.	Chenzhou, Hunan	Chenzhou, Hunan	Establishment	51.00%
Hengnan SPD Rural Bank Co., Ltd.	Hengyang, Hunan	Hengyang, Hunan	Establishment	51.00%
Haerbin Hulan SPD Rural Bank Co., Ltd.	Haerbin, Heilongjiang	Haerbin, Heilongjiang	Establishment	51.00%
Gongzhuling SPD Rural Bank Co., Ltd.	Siping, Jilin	Siping, Jilin	Establishment	51.00%
Yuzhong SPD Rural Bank Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	Establishment	51.00%
Fumin SPD Rural Bank Co., Ltd.	Fumin, Yunnan	Fumin, Yunnan	Establishment	51.00%
Ningbo Haishu Rural Bank Co., Ltd.	Ningbo, Zhejiang	Ningbo, Zhejiang	Establishment	51.00%
Urumchi Midong SPD Rural Bank Co., Ltd.	Urumchi, Xinjiang	Urumchi, Xinjiang	Establishment	51.00%
Tianjin Baodi SPD Rural Bank Co., Ltd.	Baodi, Tianjin	Baodi, Tianjin	Establishment	49.00%
Chongqing Tongliang SPD Rural Bank Co., Ltd	Tongliang, Chongqing	Tongliang, Chongqing	Establishment	51.00%
Qianxinan yilong SPD Rural Bank Co., Ltd.	Yilong, Guizhou	Yilong, Guizhou	Establishment	51.00%
Fufeng SPD Rural Bank Co., Ltd.	Baoji, Shaanxi	Baoji, Shaanxi	Establishment	51.00%

In accordance with relevant conventions entered into by the Bank and other shareholders of Baodi Tianjin SPD Rural Bank Co., Ltd., the Bank owns 51% voting rights in Baodi Tianjin SPD Rural Bank Co., Ltd, and therefore is able to control Baodi Tianjin SPD Rural Bank Co., Ltd..

All subsidiaries are unlisted and consolidated in the Bank’s consolidated financial statements.

(ii) Relevant information of major partly-owned subsidiaries

After individual assessment, the Group concluded that no subsidiary has non-controlling interest that is material to the Group.

(2) Interests in joint ventures and associates

(i) General information of major joint ventures and associates

Name of the investee	***Note***	***Place of main business***	***Place of registration***	***Strategic investment***	***Share-holding percentage (Direct)***	***Business nature***
Joint ventures:						
AXA SPDB Investment Managers Co., Ltd.	(a)	Shanghai	Shanghai	Y	51%	Financial industry
SPD Silicon Valley Bank Co., Ltd.		Shanghai	Shanghai	Y	50%	Financial industry

Equity investments above-mentioned are all accounted for by equity method.

(a) According to the Articles of Association of AXA SPDB Investment Managers Co., Ltd., resolutions on certain significant operations and finance decisions shall be approved by shareholders representing more than two-thirds voting shares. These resolutions are involved with the Company’s strategic plans, investment plans, authorization on the Board of Directors for approval of annual financial budget and settlement plans, approval of profit appropriations and plans to cover accumulated losses, and approval of equity transfers and modification of the Articles of Association, etc. Although the Group owns 51% voting shares of AXA SPDB Investment Management Co., Ltd., it has to exercise influences over the company jointly with other major shareholders.

(ii) Key financial information of major joint ventures and associates

The Group’s joint ventures and associates are all unlisted companies. The Group is of the view that these joint ventures and associates are not material to the Group in terms of their aggregated net profit and net assets.

IV SEGMENT REPORTING

Top management of the Group reviews the performance of the Bank's branches and subsidiaries in different economic regions from geographic perspective. The branches and subsidiaries of the Bank mainly provide services to local customers domiciled in respective geographic areas, therefore operating segments are analysed principally based on the location of the assets.

The operating segments' principal income are mainly from various commercial and investment banking services, including deposits and loans, discounted bills, trade finance, inter-bank money market and investments etc.

The Group's operating segments of different regions are set out as follows:

Headquarter:	Headquarters (including the direct institutions under headquarters and the branches)
Yangtze River Delta:	Branches in Shanghai, Jiangsu, Zhejiang, Anhui
Pearl River Delta and West Side of Taiwan Strait:	Branches in Guangdong and Fujian
Bohai Rim:	Branches in Beijing, Tianjin, Hebei and Shandong
Central China:	Branches in Shanxi, Henan, Hubei, Hunan, Jiangxi and Hainan
Western China:	Branches in Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongoli and Tibet
North-east China:	Branches in Liaoning, Jilin and Heilongjiang
Overseas and subsidiaries:	Overseas branches and domestic and overseas Subsidiaries

	For the year from 1 January 2021 to 31 December 2021									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Interest income	125,008	86,125	32,841	40,724	29,620	27,998	9,274	9,131	(60,028)	300,693
Including:										
External interest income	112,699	65,294	24,582	26,575	29,458	25,039	8,413	8,633	-	300,693
Internal interest income	12,309	20,831	8,259	14,149	162	2,959	861	498	(60,028)	-
Interest expense	(83,766)	(49,695)	(21,428)	(26,759)	(13,817)	(18,583)	(5,546)	(5,169)	60,028	(164,735)
Including:										
External interest expense	(64,225)	(41,349)	(12,327)	(20,525)	(9,736)	(7,358)	(4,500)	(4,715)	-	(164,735)
Internal interest expense	(19,541)	(8,346)	(9,101)	(6,234)	(4,081)	(11,225)	(1,046)	(454)	60,028	-
Net interest income	41,242	36,430	11,413	13,965	15,803	9,415	3,728	3,962	-	135,958
Net fee and commission income	19,495	2,297	2,085	823	(424)	(166)	200	4,824	-	29,134
Net trading income	15,392	1,251	363	653	376	419	86	1,575	-	20,115
Net gains arising from financial investments	2,332	-	-	-	-	-	-	(56)	-	2,276
Other operating income	135	151	25	106	35	84	10	2,871	-	3,417
Operating expenses	(17,395)	(11,313)	(3,862)	(5,264)	(3,803)	(4,663)	(1,882)	(5,526)	-	(53,708)
Impairment losses	(30,718)	(6,144)	(3,185)	(4,397)	(3,967)	(24,940)	(3,739)	(1,254)	-	(78,344)
Share of profits associates and joint ventures	190	-	-	-	-	-	-	33	-	223
Total segment profit / (loss) before tax	30,673	22,672	6,839	5,886	8,020	(19,851)	(1,597)	6,429	-	59,071

	31 December 2021									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	568,205	1,464,815	567,961	608,632	544,401	570,532	194,080	174,862	(2,534)	4,690,954
Total segment assets	3,994,931	2,305,152	698,256	984,964	571,081	602,101	236,826	380,013	(1,636,567)	8,136,757
Deposits from customers	142,215	1,882,049	575,921	777,332	447,288	368,530	182,747	88,819	(1,293)	4,463,608
Total segment assets	3,364,271	2,282,428	691,343	978,645	562,974	622,151	238,382	354,912	(1,636,567)	7,458,539
Net position of segment assets and liabilities	630,660	22,724	6,913	6,319	8,107	(20,050)	(1,556)	25,101	-	678,218

	For the year from 1 January 2020 to 31 December 2020									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Interest income	258,764	147,720	45,593	56,612	44,048	37,794	15,584	10,645	(321,775)	294,985
Including:										
External interest income	115,814	61,512	22,009	25,674	27,827	23,303	9,089	9,757	-	294,985
Internal interest income	142,950	86,208	23,584	30,938	16,221	14,491	6,495	888	(321,775)	-
Interest expense	(213,208)	(111,269)	(35,038)	(42,536)	(28,678)	(28,914)	(11,280)	(7,256)	321,775	(156,404)
Including:										
External interest expense	(62,735)	(38,580)	(11,846)	(17,395)	(8,652)	(6,556)	(4,117)	(6,523)	-	(156,404)
Internal interest expense	(150,473)	(72,689)	(23,192)	(25,141)	(20,026)	(22,358)	(7,163)	(733)	321,775	-
Net interest income	45,556	36,451	10,555	14,076	15,370	8,880	4,304	3,389	-	138,581
Net fee and commission income	24,608	1,176	1,703	955	(154)	516	529	4,613	-	33,946
Net trading income	12,730	282	417	461	332	240	19	3,139	-	17,620
Net gains arising from financial investments	3,208	-	-	-	-	-	-	11	-	3,219
Other operating income	235	135	65	97	36	100	14	2,373	-	3,055
Operating expenses	(16,592)	(10,705)	(3,429)	(4,941)	(3,783)	(4,102)	(1,871)	(5,002)	-	(50,425)
Impairment losses	(33,555)	(4,966)	(711)	(3,859)	(9,200)	(23,270)	(1,480)	(2,512)	-	(79,553)
Share of profits associates and joint ventures	130	-	-	-	-	-	-	16	-	146
Total segment profit / (loss) before tax	36,320	22,373	8,600	6,789	2,601	(17,636)	1,515	6,027	-	66,589

	31 December 2020									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	622,092	1,365,333	491,756	562,422	519,030	525,264	179,284	165,749	(702)	4,430,228
Total segment assets	4,104,531	2,193,480	636,595	901,649	567,591	574,494	229,368	373,707	(1,623,258)	7,958,157
Deposits from customers	121,828	1,739,815	535,105	680,717	423,622	340,547	188,168	94,352	(1,747)	4,122,407
Total segment assets	3,505,983	2,170,863	627,999	894,693	564,949	592,335	227,855	351,522	(1,623,258)	7,312,941
Net position of segment assets and liabilities	598,548	22,617	8,596	6,956	2,642	(17,841)	1,513	22,185	-	645,216

V CONTINGENCIES AND COMMITMENTS

1 Credit commitments

The Group's credit commitments are listed as follows:

	31 December 2021	31 December 2020
Bank acceptance bills	617,735	553,527
Letters of credit issued	192,522	176,517
Letters of guarantee issued	113,363	112,564
Credit cards and loan commitments	647,121	525,923
Total	1,570,741	1,368,531

2 Commitment on redemption of certificate treasury bonds

The Group is entrusted by the MOF to underwrite certificate treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest at the redemption date.

As at 31 December 2021, the outstanding principal value of the treasury bonds sold by the Group amounted to RMB 2,921 million (31 December 2020: RMB 4,025 million).

The MOF will not provide funding for the early redemption of these treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The management expects the amount of the bonds of which redemption is through the Group before the maturity dates will not be material.

3 Capital commitments

As at 31 December 2021, the major capital commitments the Group had signed but not paid amounted to RMB 10,141 million (31 December 2020: RMB 3,879 million). Additionally, as at 31 December 2021, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had signed but not paid was RMB 5,331 million (31 December 2020: RMB 6,218 million).

As at 31 December 2021, the major capital commitments the Group had approved but not signed amounted to RMB 5,131 million (31 December 2020: RMB 3,595 million). Additionally, as at 31 December 2021, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had approved but not signed was RMB 506 million (31 December 2020: RMB 177 million).

4 Legal proceedings

As at 31 December 2021, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 148 and 198, respectively. The corresponding amount involved was about RMB 1,371 million and RMB 511 million, respectively, the possibility of loss for other cases were assessed as not large.(As at 31 December 2020, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 148 and 126, respectively. The corresponding amount involved was about RMB 1,746 million and RMB 677 million, respectively. The Group assessed the possibility of loss from reparations being not large, so in addition to the estimated loss of RMB 520 million for individual cases, the possibility of compensation for other cases is not expected).

VI FIDUCIARY BUSINESSES

The Group provides safe-keeping and entrusted loan businesses to independent third party customers. The assets arising from these businesses are not recorded on the Group's balance sheet. As at 31 December 2021, the balance of entrusted loan business was RMB 76,427 million (As at 31 December 2020: RMB 107,147 million).

VII RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

As at 31 December 2021 and 31 December 2020, major shareholders holding more than 5% ordinary shares of the Bank are as follows:

	Direct shareholding percentage	Major business
Shanghai International Group Co., Ltd.	21.57%	Investment management
China Mobile Group Guangdong Company Limited	18.18%	Mobile and Communication
Funde Sino Life Insurance Co., Ltd. – Traditional	9.47%	Insurance Business
Funde Sino Life Insurance Co., Ltd. – Capital	6.01%	Insurance Business

2 Other shareholders who exert significant influence on the Bank

As of December 31, 2021 and 2020, other shareholders exerting significant influence on the Bank include：

	Major Business
China National Tobacco Corporation Jiangsu Branch	Tobacco products

3 Subsidiaries

For general information of the Group's subsidiaries, please refer to Note III.38(2) "Interests in other entities".

4 Joint ventures and associates

For general information of the joint ventures and associates, please refer to Note III. 38(2) "Interests in other entities".

5 Other major related parties

Other related parties mainly include respective group companies of shareholders who hold 5% , other substantial shareholders and the group to which they belong that have significant influence on the Group, key management personnel of the Bank (including the directors, supervisors and senior executives) and their close family members, and the companies that are controlled or jointly controlled by these key management personnel and their close family members, or the companies in which key management personnel and their close family members serve as directors or senior executives.

Additionally, in accordance with relevant regulations, the Bank has reported to the Shanghai Stock Exchange on the exemption from disclosure of the transactions between the Bank and its independent directors and companies in which its external supervisors have part-time positions.

6 Transactions and balances with related parties

The amounts of material transactions between the Group and its related parties and related balances at the balance sheet date are summarised as follows：

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2021 to 31 December 2021 are listed below：							
Interest income	-	3	79	66	1	149	0.05%
Interest expense	(527)	(27)	(1,194)	(505)	(1)	(2,254)	1.37%
Net Fee and commission income	1	124	4	5	-	134	0.34%
Net trading income	-	(14)	-	103	-	89	0.44%
Share of profits associates and joint ventures	-	223	-	-	-	223	100.00%
Operating expenses	(7)	-	(109)	-	-	(116)	0.22%
Other comprehensive income	-	-	-	(17)	-	(17)	1.47%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2021：							
Deposits and placements with banks and other financial institutions	-	-	426	1,559	-	1,985	0.46%
Loans and advances to customers	-	-	1,191	1,843	19	3,053	0.07%
Derivative financial assets	-	1	-	607	-	608	1.80%
Financial investments measured at:							
- Financial investments measured at FVTPL	-	-	1	1,587	-	1,588	0.30%
- Financial investments mearsured at amortized cost	-	-	-	449	-	449	0.03%
- FVOCI	-	-	-	1,572	-	1,572	0.32%
Investments in associates and Joint Ventures	-	2,819	-	-	-	2,819	100.00%
Deposits and placements from banks and other financial institutions	-	(1,563)	(28,154)	(8,435)	-	(38,152)	3.45%
Derivative financial liabilities	-	(13)	-	(391)	-	(404)	1.37%
Deposits from customers	(3,614)	(3,882)	(71,961)	(21,639)	(24)	(101,120)	2.27%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant off-balance item at 31 December 2021							
Letters of guarantee issued	-	-	51	-	-	51	0.04%
Credit card commitment	-	-	-	-	12	12	0.01%
Fiduciary businesses	-	-	82	-	-	82	0.11%
Guarantees provided for credit business	-	-	2,224	2,749	-	4,973	0.18%
Bank acceptance bills	-	-	19	-	-	19	0.00%
Investment of funds for issuing financial products	-	-	-	2,006	-	2,006	0.17%

Note1: as of 31 December 2021, key management of the Bank possessed a total number of 1,290,600 shares of common stock issued by the Bank. During the first half of 2021, key management has obtained relavent cash dividends of their shares.

Note2: On 31 December 2021, Shanghai International Group Co., Ltd. and its subsidiaries hold a total of 8.67% of shares of convertible corporate bonds issued by the Bank and China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank.

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2020 to 31 December 2020 are listed below：							
Interest income	-	-	66	53	1	120	0.04%
Interest expense	(643)	(61)	(1,038)	(336)	(1)	(2,079)	1.33%
Net Fee and commission income	-	359	20	22	-	401	0.91%
Net trading income	-	-	-	24	-	24	0.14%
Share of profits associates and joint ventures	-	146	-	-	-	146	100.00%
Operating expenses	(7)	-	(218)	-	-	(225)	0.45%
Other comprehensive income	-	-	-	1	-	1	-0.03%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2020：							
Deposits and placements with banks and other financial institutions	-	-	2,356	1,618		3,974	1.03%
Loans and advances to customers	-	-	848	1,099	19	1,966	0.04%
Derivative financial assets	-	1	-	471		472	0.74%
Financial investments measured at:							
- FVOCI	-	-	-	446		446	0.08%
Investments in associates and Joint Ventures	-	2,401	-	-		2,401	100.00%
Deposits and placements from banks and other financial institutions	-	(1,353)	(43,134)	(6,016)		(50,503	3.70%
Derivative financial liabilities	-	-	-	(357)		(357	0.58%
Deposits from customers	(6,533)	(551)	(45,166)	(8,924)	(33	(61,207	1.48%
Significant off-balance item at 31 December 2020							
Letters of guarantee issued	-	-	15	-	-	15	0.01%
Credit card commitment	-	-	-	-	15	15	0.01%
Fiduciary businesses	-	-	97	1,600	-	1,697	1.58%
Guarantees provided for credit business	-	2	2,371	963	-	3,336	0.12%
Investment of funds for issuing financial products	-	-	960	2,700	-	3,660	0.25%

Note1: as of 31 December 2020, key management of the Bank possessed a total number of 855,100 shares of common stock issued by the Bank. During the first half of 2020, key management has obtained relavent cash dividends of their shares.

Note2: On 31 December 2020, Shanghai International Group Co., Ltd. and its subsidiaries hold a total of 8.69% of shares of convertible corporate bonds issued by the Bank and China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank.

7 Related parties that are controlled by the Bank

Related parties that are controlled by the Bank are the subsidiaries of the Bank. Major transactions with these subsidiaries and their balances are eliminated in the consolidated financial statements, and are summarised as follows:

Balances at the year end：	31 December 2021	31 December 2020
Deposits and placements with banks and other financial institutions	2,559	5,123
Loans and advances to customers	1,388	702
Deposits and placements from banks and other financial institutions	8,473	10,155
Deposits from customers	1,293	1,747
Others	32	23

Transactions during the year：	2021	2020
Interest income from deposits and placemets from banks and other financial institutions	49	166
Interest income from loans and advances to customers	60	31
Interest expenses on deposits from banks and other financial institutions	265	250
Interest expenses on deposits from customers	12	68
Fee and commission income	54	66
Fee and commission expense	111	126
Other income	-	2

8 Compensation of key management personnel

Key management personnel are those people having authority and responsibility for planning, directing, and controlling the activities of the Group, either directly or indirectly, including directors, supervisors and senior executives.

Compensation of key management personnel for the respective periods (excluding the social insurance charges paid by the Bank) is as follows:

	2021	2020
Compensation of key management personnel	22	39

The Compensation of key management personnel are remuneration without social insurance paid in 2021 to the directors, supervisor and senior management of the Bank in past 12 months or will do so in the next 12 months according to the relevant contract arrangement.

9 Transactions with the annuity plan

In terms of the enterprise annuity funds established by the Group, in addition to the normal contribution, there has been no other related party transactions during the reporting period.

10 Major credit related transactions to related parties

Major credit related transactions to related parities refer to transactions in which the amount of a single transaction between the Bank and a related party accounts for more than 1% of the latest audited net assets of the Bank, or the transaction balance between the Bank and a related party accounts for more than 5% of the latest audited net assets of the Bank

In 2021, the newly added major credited related transationsbetween the Bank and related parties outside the Group are as follows (excluding counterparties who have been applied for exemption from disclosure to the Shanghai Stock Exchange:

Related Parties	Total credit limit to related partiesand other companies in their group
Guotai Junan Securities Co., Ltd.	24,600
Shanghai Jiushi (Group) Co., Ltd.	24,500
Sheneng (Group) Co., LTD	20,000
Orient Securities Co., Ltd.	19,500
Shanghai International Group Co., Ltd.	15,500
Bailian Group Co., Ltd.	13,000

For details of major credit related transactions, please refer to the relevant resolutions of the board of directors publicly disclosed by the Bank.

VIII FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its operating activities. The Group analyses, evaluates, accepts and manages certain degree of risks or risk portfolios. Managing financial risk is critical to the financial industry, and the inherent risks is an inevitable consequence of business operation. The Group’s aim is therefore to strike an appropriate balance between risk and return and minimise potential adverse impact on the Group’s financial performance.

The Group has designed a series of risk management policies to identify and analyse these risks, so as to set appropriate risk limits and formulate control procedures. It has also monitored the risks and their limits through reliable information systems.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk mainly consists of foreign currency risk, interest rate risk and commodity price risk.

The Board of Directors of the Bank is responsible for determining the Group's overall risk appetite. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk.
After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for the implementation.

1 Credit risk

Credit risk is the risk that a customer or counterparty may fail or be unwilling to fulfil an obligation or commitment to the Group resulting in a financial loss. Credit risk is higher when counterparties are concentrated in single industry or geographic region, because various counterparties in the same industry or geographic region could be adversely affected by the same economic factors, which ultimately affect their repayment ability.

(1) Credit risk management

(i) Loans

The Group manages, restricts and controls the concentration of credit risk identified, especially with regards to concentration on singular counterparty, group, industry and region.

The Group continuously optimizes the credit risk structure by setting limits on the borrower, group of borrowers, geographical and industry segments. Concentration risks are monitored on ongoing basis and subject to an annual or more frequent review where necessary.

The Group manages the exposure to credit risk through regular analysis of borrowers' ability to repay principal and interest payments and amends the credit facilities where appropriate.

The Group has established relevant policies and various measures to mitigate credit risk. Obtaining collateral, pledged assets, guarantee deposits or guarantees from corporates or individuals has been one of the main strategies to control credit risk. The Group provides guidelines on the specific types of acceptable collateral or pledged assets, mainly include the following:

- Residential property and land tenure;
- Commercial assets, such as commercial property, inventory and accounts receivable;
- Financial instruments, such as bonds and equity shares.

Fair value of collaterals or pledged assets is generally assessed by professional evaluation agencies designated by the Group. When there are indications of impairment, the value of collaterals or pledged assets will be re-examined by the Group to assess whether the collaterals or pledged assets could adequately cover the credit risks associated with loans. To mitigate the credit risk, the Group has implemented loan-to-value ratio requirement based on type of collaterals or pledged assets. The main types of collaterals or pledged assets for corporate loans and retail loans and their corresponding maximum loan-to-value ratio are as follows:

Collaterals or pledged assets	Maximum loan-to-value ratio
Time deposits	90% - 100%
Government bonds	90% - 100%
Financial bonds	95%

Corporate bonds (including financial institutions)	80%
Right to collect fees	60% - 70%
Franchise right	50%
Commercial property and standard plant	60%
Residential property	70%
Land tenure	50% - 60%

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience with adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

Management assesses fair value of collaterals or pledged assets based on the latest available external valuation results, and adjusts the fair value with reference to experience, current market conditions and disposal expenses to be incurred.

For loans guaranteed by third parties, the Group evaluates the financial condition and credit record of guarantors and guarantor's ability to meet obligations.

(ii) Bonds and other bills

The Group manages the credit risk exposure of bonds and other bills through mechanisms include controlling the investment scale, setting access list of issuers, rating access, establishing post-investment management, etc. Generally, external credit rating of the issuer of foreign currency bonds at the time of purchase (by Standard & Poor's or equivalent rating agencies) should be at BBB- or above. Overseas investments in RMB bonds are limited to those issuers with external credit rating at BBB+ or above (by rating agencies identified by the PBOC). Rating of domestic middle to long term RMB bonds should be at AA or above (by rating agencies identified by the PBOC) and rating of short term RMB bonds should be at A-1 (by rating agencies identified by the PBOC).

(iii) Other financial assets measured at amortized cost

Other financial assets measured at amortized cost mainly include fund trust and asset management plans. The Group has rating access system on the trust companies, security companies and fund companies with the set credit facility for ultimate investors of trust plans and asset management plans, and performs post-lending management periodically.

(iv) Inter-bank transactions

The Group reviews and manages the credit risk of individual financial institution on regularly basis and sets credit limit for individual bank or non-banking financial institution which has transactions with the Group.

(v) Derivative financial instruments

The Group strictly restricts transactions in derivative financial instruments. For corporate customers, the Group mitigates credit risk associated with derivative financial instruments by acquiring margin deposits.

(vi) Credit commitments

The primary purpose of credit commitments is to ensure that funds are available to customers as required. Letters of guarantee issued, acceptance bills and letters of credit are irrevocable commitments the Group made and the Group will make payments on behalf of its clients in the event that its customer cannot perform the obligations to third parties. Credit commitments carry the same credit risk as loans. When the amount of credit commitment applied exceeds that of the original credit limit of the client, margin deposits are required to mitigate the credit risk. The Group's exposure to the credit risk is equivalent to the total amount of credit commitments. In addition, credit card limit and loan commitments granted by the Group will incur cash outflows when credit card limit and loan commitments are used.

(vii) Trust plan

The credit risk of trust plan entrusted management is mainly the possibility of potential loss to the trust property or inherent property due to the failure of the counterparties to fulfill their commitments and inability or unwillingness to fulfill their contractual commitments.The Group strictly enforces the policy “pre-loan investigation, in-process review, post-lending inspection” over trust plan. In the design of the product trade structure, the Group introduces guarantee mechanism including financial institution credit, property mortgage, rights pledge to comprehensively manages risks through avoidance, prevention, dispersion, transfer and compensation, and disperses and transfers credit risks of financing entities to reduce risk exposure.

(2) Credit risk measurement

The Group has established a five-tier grading system of credit assets to measure and manage the quality of loans and advances to corporate and retail customers according to the “Guidelines for Risk-based Loan Classification” (the “Guideline”) (Yin Jian Fa [2007] No. 54). The Group’s five-tier grading system and the Guideline classify on-balance sheet credit assets into five categories: pass, special-mention, substandard, doubtful and loss, among which loans with the grading of substandard, doubtful and loss are regarded as non-performing loans.

The core definitions of the credit assets classification are as follows:

Pass: The borrower could fulfil the contractual obligation and there is not enough reason to suspect that the principal and interest cannot be repaid in full and on time.

Special Mention: The repayment might be adversely affected by some factors although the borrower currently has the capability to repay the principal and interest.

Substandard: The borrower’s capability to repay is apparently in question and cannot repay the principal and interest in full depending on its operating income. Certain losses might occur even when guarantees are executed.

Doubtful: Cannot repay principal and interest in full and significant losses will occur even when guarantees are executed.

Loss: Principal and interest cannot be recovered or only a very small portion of them can be recovered after taking all possible measures or necessary legal procedures.

(3) ECL measurement

Pursuant to the new accounting standards, the Group divides the loss allowance for expected credit losses on financial assets into three stages:

Stage 1 (no significant increase in credit risk since initial recognition): measure the loss at an amount equal to 12-month ECL;

Stage 2 (significant increase in credit risk since initial recognition): measure the loss allowance at an amount equal to the lifetime ECL; and

Stage 3 (credit- impaired assets): measure the loss allowance at an amount equal to the lifetime ECL.

The Group has developed the impairment model to calculate ECL in accordance with the new accounting standards. A top-down development method was adopted to establish a logistic regression model of risk parameters and macroeconomic indicators such as gross domestic product “GDP” and consumer price index “CPI”. The Group periodically forecasts three kind of macroeconomic scenarios (optimistic, basic and pessimistic) and measures ECL based on different scenarios.

<u>Credit risk grading</u>

The Group uses internal credit risk gradings to reflect assessment of default probability for individual counterparties and applies different internal rating models for different categories of counterparties. Borrowers’ and specific loan related information collected during loan application (such as disposable income, guarantee level for retail exposures; and corporate customers’ revenue and industry) is incorporated into rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models also include expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure to compensate considerations that may not be captured as part of the other data inputs into the model.

The Group does not have financial assets identified as "low risk" and corresponding credit risk management in accordance with new financial instruments standards.

<u>Stage division</u>

Significant increase in credit risk (“SICR”)

The Group assesses on each balance sheet date whether the credit risk of the relevant financial assets has increased significantly since initial recognition. When considering the ECL stage of financial assets, the Group considering all reasonable and supportable information, including that which is forward-looking. The main factors to be considered are regulatory and operational environment, internal and external credit rating, solvency, operational capability, loan contract terms, repayment behaviour, etc.

The Group considers that there has been a significant increase in credit risk of financial instrument when one or more of the following quantitative, qualitative or upper limits criteria have been met:

Quantitative criteria:

The Group determines whether there has been a significant increase in credit risk since initial recognition by considering whether the credit risk rating has downgraded to a certain level, i.e. credit risk rating of counterparty for corporate loans and financial investments has downgraded to B or below since initial recognition as at the reporting date, or whether the probability of default ("PD") has increased significantly since initial recognition, i.e. for retail loans, the counterparty's PD is 8-10 times of initial PD as at the reporting date.

Qualitative criteria:

For corporate loans and financial investments, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operational results of the borrower
- Early signs of cashflow / liquidity problems such as delay in repayment of payables / loans

Upper limit:

If the borrower fails to make payment for more than 30 days after contractual payment date.

According to the relevant policies from regulators, the Group has carefully evaluated the deferred loan payment applications for whom are influenced by COVID-19 in order to offer temporary convenience for qualified borrowers. Meanwhile, the Group has analysed if the credit risks of the relevant financial assets will increase after the borrowers received their first approval, based on the policy of deferred loan payment, the repayment ability of borrowers, and other relevant factors.

Default and *credit-impaired*

When a financial asset is impaired, the Group defines it as in default. The Group defines a financial asset as credit impaired when it meets one or more of the following criteria:

Qualitative criteria:

The borrower meets "capability to repay is apparently in question" criteria, which indicates the borrower is in significant financial difficulty and examples include:

- The issuer or borrower is in significant financial difficulties
- The borrower has breached financial contract(s), such as past due of interest or principal repayments
- Concessions have been made by the lender relating to the borrower's financial difficulty with consideration of economy and contract
- The borrower is likely to head towards bankruptcy or other debts restructuring
- Issuer or borrower's financial difficulties lead to disappearance of active market for financial assets
- Financial assets are purchased or originated at substantial discount that reflects the incurred credit losses

Upper limit:

If the borrower fails to make payment for more than 90 days after contractual payment date.

The criteria above have been applied to all financial instruments held by the Group and are consistent with internal credit risk management purposes. The default definition has been consistently applied to establish models for the PD, Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's ECL measurement.

<u>Explanation of parameters, assumptions and estimation techniques of ECL model</u>

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the PD, EAD and LGD, and the relevant definitions are as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD) or the remaining lifetime (Lifetime PD) of the obligation.
- The EAD is the amounts the Group expects to be repaid at the time of default.
- LGD is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by projecting the PD, LGD and EAD for individual future exposure, which effectively calculates the ECL for each future month.

The Lifetime PD is based on expiry information derived from 12M PD. Maturity analysis covers the change of loan default situation from initial recognition to maturity. Maturity portfolio is based on historical observed data with the assumption of same portfolio and identical credit rating assets. The above analysis is supported by historical data.

The Group determines LGD based on factors affecting recovery after default, which vary by product type.

Forward-looking economic information should be considered in determining the 12M and lifetime ECL.

There have been no significant changes in estimation techniques or significant assumptions during the reporting period.

<u>Forward-looking information incorporated in the ECL model</u>

Both the assessment of SICR and the calculation of ECL incorporate forward-looking information. The Group identifies the key economic indicators impacting credit risk and ECL for each portfolio through historical data analysis.

The Group has selected a series of macroeconomic indicators based on industry best practices and the Group's internal experts' judgement, which includes GDP, industrial added value growth rate and CPI growth rate, etc. to establish statistical relationship between actual PD and macro indicators for each model exposure, and calculate forward-looking PD by using forecasted economic indicators.

In addition to the base economic scenario, the Group has also set up other scenarios based on analysis of each major product type. The number and attributes of scenarios are reassessed at each reporting date. As at 31 December 2021 and 31 December 2020, the scenario weightings are determined by combination of statistical analysis and expert judgement, taking into account of the range of possible outcomes represented by scenarios. The Group adopts the base and lifetime PD with scenario weightings, along with qualitative and upper limit criteria to determine whether the credit risk has increased significantly. The determination of financial instrument stage indicates the measurement of the loss allowance at an amount equal to the 12-month or lifetime ECL accordingly. The Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

On 31 December 2021, the Group has taken the macroeconomic under the impact of COVID-19 into account when developing forward-looking macroeconomic indicators and economic scenario weighting.

The Group considers these projections have represented the best estimate of the possible outcomes and analyses the non-linearities and asymmetries within the Group's different portfolios to determine that selected scenarios adequately represent scenarios that might occur. Similar to other economic projections, there are inherent uncertainties regarding estimates of projected values and likelihood of occurrence, thus substantial differences may occur between actual results and projections.

Combination method for evaluation of expected credit risk

When analysing the relevance of ECL with macroeconomic indicators, the Group has classified the assets with similar credit risk characteristics into the same portfolio. The Group has obtained sufficient information to ensure the statistical reliability for the portfolio classification. Where sufficient information is not available internally, the Group establishes the model with reference to internal or external supplementary data. The characteristics and any supplementary data used to determine portfolio classification are outlined below:

Corporate loans and financial investments

- Industry
- Collateral type

Retail loans

- Product type (i.e. mortgage loans, consumer loan and credit card)
- Repayment type
- Utilisation percentage range
- The range of mortgage rate (loan balance / collateral value)

(4) Maximum exposure to credit risk

Financial assets and guarantee commitment subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The book value of financial assets below represents the Group's maximum exposure to credit risk on these assets.

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	415,526	-	-	415,526
Deposits and placements with banks and other financial institutions	433,781	-	-	433,781
Financial assets purchased under resale agreements	117	-	-	117
Loans and advances to customers measured at				
- Amortized cost	4,034,450	99,520	26,643	4,160,613
- FVOCI	480,663	3,258	271	484,192
Financial investments measured at				
- Amortized cost	1,226,771	27,295	52,122	1,306,188
- FVOCI	476,860	2,077	682	479,619
Other financial assets	88,197	109	3,311	91,617
Total	7,156,365	132,259	83,029	7,371,653

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	483,732	-	-	483,732
Deposits and placements with banks and other financial institutions	385,927	-	-	385,927
Financial assets purchased under resale agreements	36,526	-	-	36,526
Loans and advances to customers measured at				
- Amortized cost	3,863,316	101,305	24,819	3,989,440
- FVOCI	421,642	429	437	422,508
Financial investments measured at				
- Amortized cost	1,135,691	4,372	29,714	1,169,777
- FVOCI	576,039	745	1,002	577,786
Other financial assets	79,696	357	1,043	81,096
Total	6,982,569	107,208	57,015	7,146,792

	31 December 2021 Maximum exposure to credit risk	31 December 2020 Maximum exposure to credit risk
Commitment and guarantee		
Bank acceptance notes	615,478	551,226
Letters of credit issued	192,254	176,235
Letters of guarantee issued	113,132	112,372
Credit cards and other commitments	643,603	523,418
Total	1,564,467	1,363,251

(5) Credit-impaired loans and advances to customers

The Group closely monitors collateral held for financial assets considered to be credit-impaired, because the Group is more likely to confiscate these collateral to reduce potential credit losses comparing to other collaterals. As at 31 December 2021, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 88,671 million (31 December 2020: RMB 90,497 million), in which the loans covered by collaterals are amounting to RMB 39,922 million (31 December 2020: RMB 405,98 million).

(6) Bonds and other investments

The table below analyses the Group's investment securities by external rating agencies, including S&P or equivalent credit agencies identified by the PBOC.

	31 December 2021			
Investments denominated in RMB	Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
Medium or long term				
AAA	20,194	512,174	145,954	678,322
AA+ to AA-	3,237	3,667	7,431	14,335
A+ to A-	279	11,248	4,147	15,674
Below A-	-	155	1,450	1,605
Short term				
AAA	18,084	16,775	-	34,859
AA+ to AA-	2,143	254	212	2,609
A and below A	-	3,080	-	3,080
Unrated-Bonds	64,058	749,941	243,392	1,057,391
	107,995	1,297,294	402,586	1,807,875

	31 December 2021			
Investments denominated in foreign currencies	Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
AAA	191	-	4,119	4,310
AA+ to AA-	40	-	2,673	2,713
A and below A	3,061	7,038	39,312	49,411
Unrated-Bonds	1,026	1,856	30,929	33,811
	4,318	8,894	77,033	90,245

	31 December 2020			
Investments denominated in RMB	Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
Medium or long term				
AAA	11,203	210,615	140,739	362,557
AA+ to AA-	255	297	5,426	5,978
A+ to A-	-	-	56	56
C	-	211	-	211
Short term				
A-1	-	-	103	103
Unrated-Bonds	95,524	952,295	356,528	1,404,347
	106,982	1,163,418	502,852	1,773,252

	31 December 2020			
Investments denominated in foreign currencies	Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
AAA	74	-	2,942	3,016
AA	59	-	738	797
A and below A	582	1,588	42,723	44,893
Unrated-Bonds	1,825	4,771	28,531	35,127
	2,540	6,359	74,934	83,833

2 Market risk

Market risk is the risk of losses of on and off-balance sheet businesses arising from adverse movements in market prices, such as interest rates, exchange rates, price of stock and commodity. Both the Group’s trading book and banking book is exposed to market risk, which mainly consists of interest rate risk, currency risk and commodity price risk. The Group considers the exposure to the commodity price risk to be insignificant.

The Board of Directors of the Bank is ultimately responsible for monitoring the market risk management and ensuring the Group can effectively identify, measure, monitor and control the market risk associated with the Group's business activities. Under the authorisation of the Board of Directors, the senior management of the Group is responsible for establishing the group-wide market risk management system, organisational structure with well-defined roles and responsibilities, authorisation structures and accountability mechanism. Relevant departments of headquarters are responsible for carrying out detailed market risk management activities including policies and procedures, measurement approaches and models, analyses and reporting and monitoring of various limits in order to timely and accurately identify, measure, monitor and control the market risk exposures in respective business areas and reporting to the senior management and Board of Directors on timely basis.

Meanwhile, the established internal controls and independent inspections are integrated in the group-wide market risk management system. Relevant business units are responsible for executing the daily control activities. A three-line defence system includes the business units as the first line defence, the market risk management and compliance department as the second line defence and the review department as the third line defence.

The Group measures market risk based on predetermined benchmarks. The major measurement approaches include stress testing, analysis on value at risk, back testing, gap analysis and sensitivity analysis etc. The market risk of new products and businesses should be identified before these new products and businesses are launched according to relevant policies.

(1) Currency risk

The Group mainly operates in the PRC and its main business activities are conducted in RMB. Majority of its foreign currency business are conducted in USD. The table below summarises the Group’s exposure to currency risk. Included in the table are the Group’s assets and liabilities at carrying amounts in RMB, categorised by original currency.

	31 December 2021				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	372,580	44,434	3,735	247	420,996
Deposits and placements with banks and other financial institutions	247,212	155,336	10,098	21,135	433,781
Derivative financial assets	32,764	852	2	155	33,773
Financial assets purchased under resale agreements	16	101	-	-	117
Loans and advances to customers	4,504,671	141,074	26,517	18,692	4,690,954
Financial investments:					
- FVTPL	515,612	10,415	-	7	526,034
- AC	1,297,294	8,685	-	209	1,306,188
- FVOCI	409,668	69,629	4,102	3,302	486,701
Other financial assets	37,637	44,025	5,954	4,001	91,617
Total financial assets	7,417,454	474,551	50,408	47,748	7,990,161
Borrowing from central bank	236,317	-	-	-	236,317
Deposits and placements from banks and other financial institutions	990,256	85,435	15,460	15,624	1,106,775
Financial liabilities measured at FVTPL	31,089	191	-	-	31,280
Derivative financial liabilities	28,428	1,072	3	25	29,528
Financial assets sold under repurchase agreement	162,260	11,959	-	-	174,219
Deposits from customers	4,193,282	242,273	17,889	10,164	4,463,608
Debt securities issued	1,271,348	42,187	3,585	1	1,317,121
Lease Liabilities	7,488	-	900	63	8,451
Other financial liabilities	30,421	1,097	364	462	32,344
Total financial liabilities	6,950,889	384,214	38,201	26,339	7,399,643
Net position of financial instruments	466,565	90,337	12,207	21,409	590,518
Currency derivatives	103,683	(86,027)	(5,285)	(10,221)	2,150
Credit commitments	1,510,578	44,642	697	8,550	1,564,467

	31 December 2020				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	447,135	38,896	2,759	298	489,088
Deposits and placements with banks and other financial institutions	223,478	129,504	16,696	16,249	385,927
Derivative financial assets	63,271	277	4	37	63,589
Financial assets purchased under resale agreements	36,502	24	-	-	36,526
Loans and advances to customers	4,261,041	129,477	25,326	14,384	4,430,228
Financial investments:					
- FVTPL	539,618	9,531	-	-	549,149
- AC	1,163,418	6,224	-	135	1,169,777
- FVOCI	508,687	66,770	4,666	3,498	583,621
Other financial assets	33,962	40,692	3,466	2,976	81,096
Total financial assets	7,277,112	421,395	52,917	37,577	7,789,001
Borrowing from central bank	274,346	-	-	-	274,346
Deposits and placements from banks and other financial institutions	1,239,336	91,774	21,028	13,434	1,365,572
Financial liabilities measured at FVTPL	15,226	831	-	-	16,057
Derivative financial liabilities	59,832	1,196	61	57	61,146
Financial assets sold under repurchase agreement	221,122	11,224	-	-	232,346
Deposits from customers	3,868,117	227,133	19,312	7,845	4,122,407
Debt securities issued	1,102,174	34,464	3,774	241	1,140,653
Other financial liabilities	40,805	5,208	1,143	277	47,433
Total financial liabilities	6,820,958	371,830	45,318	21,854	7,259,960
Net position of financial instruments	456,154	49,565	7,599	15,723	529,041
Currency derivatives	40,562	(39,727)	6,546	(4,052)	3,329
Credit commitments	1,300,317	51,547	5,097	6,290	1,363,251

The Group measures the possible effect on net profit arising from foreign exchange rate fluctuation using sensitivity analysis. The table below shows the result of sensitivity analysis of the balance sheet date.

Net profit	31 December 2021		31 December 2020	
	Exchange rate fluctuation %		Exchange rate fluctuation %	
(Decrease) / Increase	-1%	1%	-1%	1%
USD against RMB	(32)	32	(74)	74
Other currencies against RMB	(136)	136	(202)	202

The above sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities, and calculated the impact on the net profit from changes in exchange rates of other foreign currencies against RMB. The assumptions are shown as below:

- Exchange rate sensitivity represents the exchange gain or loss resulting from the 1% change in daily closing exchange rates (middle) on the financial reporting date;
- Changes in exchange rates of other foreign currencies means the exchange rates of other foreign currencies against RMB are fluctuating simultaneously and in the same direction;
- Foreign currency exposure contains spot exchange exposure and forward exchange exposure. Based on the above assumption, the actual exchange gains or losses may differ from the sensitivity analysis results.

(2) Interest rate risk

Interest rate risk is the risk of losses in overall earnings and economic value arising from adverse movements in factors such as interest rates, term structure, etc., including interest rate risk from bank book and trading book.

The Group considers its exposure to the interest rate risk of trading book to be insignificant. The Group has established a relatively complete internal transfer pricing system, which enables the Group to manage the interest rate risk of bank book centrally. The Group measures and monitors interest rate risk in trading accounts using value-at-risk and sensitivity analysis etc. The senior management of the Bank is responsible for developing the appropriate management mechanism for interest rate risk in the banking book, the organizational structure, systems and processes in accordance with the risk appetites for interest rate risk in the banking book approved by the Board of Directors to ensure the achievement of management objectives; The Asset and Liability Management Department of the Head Office of the Bank is responsible for taking the lead in the organization and implementation on the identification, measurement, monitoring, control and mitigation management of daily risks; The Audit Department of the Head Office of the Bank is responsible for performing the internal audit on interest rate risk in the banking book independently.

The Group mainly uses appropriate measurement methods and tools (such as repricing gap analysis, duration analysis, sensitivity analysis and scenario simulation) to measure and monitor the interest rate risk. During the reporting period, the Group adhered to the neutral and prudent risk appetite for interest rate risk in the banking book, enhanced the research and judgment on domestic and foreign macro policies as well as monetary policies, carried out dynamic monitoring and forward-looking risk management based on interest rate liberalization, trends of interest rate curve reform; During the reporting period, the Group guided the adjustments of business scale and term structure based on risk management strategies as well as asset and liability business objectives through asset and liability active configuration tools and price tools, maintained the interest rate risk indicators within the risk appetite of the Board of Directors and kept sustainable operation.

The Group paid close attention to the regulatory policies of international Interbank offered rate reform and the dynamics of the industry, actively and orderly carried out the transition work.

The table below summarises the Group’s exposures to interest rate risk. The table presents the Group’s assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	31 December 2021						
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	399,621	-	-	-	-	21,375	420,996
Deposits and placements with banks and other financial institutions	135,132	105,938	179,866	8,785	-	4,060	433,781
Derivative financial assets	-	-	-	-	-	33,773	33,773
Financial assets purchased under resale agreements	16	101	-	-	-	-	117
Loans and advances to customers	1,138,363	697,229	1,860,021	901,167	79,173	15,001	4,690,954
Financial investments measured at:							
- FVTPL	11,201	10,781	25,068	31,413	15,441	432,130	526,034
- Amortized cost	73,483	77,900	144,072	533,147	460,092	17,494	1,306,188
- FVOCI	14,986	22,830	54,079	305,803	75,431	13,572	486,701
Other financial assets	4,067	-	13,744	-	-	73,806	91,617
Total financial assets	1,776,869	914,779	2,276,850	1,780,315	630,137	611,211	7,990,161
Liabilities							
Borrowing from central bank	9,907	26,460	197,631	-	-	2,319	236,317
Deposits and placements from banks and other financial institutions	681,741	220,168	193,174	8,911	612	2,169	1,106,775
Financial liabilities measured at FVTPL	-	-	-	-	-	31,280	31,280
Derivative financial liabilities	-	-	-	-	-	29,528	29,528
Financial assets sold under repurchase agreements	132,596	24,699	16,891	-	-	33	174,219
Deposits from customers	2,115,070	1,044,476	561,461	682,044	5	60,552	4,463,608
Debt securities issued	54,222	203,624	700,667	220,693	132,063	5,852	1,317,121
Lease Liabilities	264	526	2,104	5,076	481	-	8,451
Other financial liabilities	562	150	1,263	-	-	30,369	32,344
Total financial liabilities	2,994,362	1,520,103	1,673,191	916,724	133,161	162,102	7,399,643
Total interest repricing gap	(1,217,493)	(605,324)	603,659	863,591	496,976	449,109	590,518

31 December 2020

	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	475,170	-	-	-	-	13,918	489,088
Deposits and placements with banks and other financial institutions	145,265	77,121	138,919	22,210	-	2,412	385,927
Derivative financial assets	-	-	-	-	-	63,589	63,589
Financial assets purchased under resale agreements	36,495	24	-	-	-	7	36,526
Loans and advances to customers	1,210,020	453,250	1,367,398	1,178,360	205,829	15,371	4,430,228
Financial investments measured at:							
- FVTPL	17,690	11,188	19,821	19,292	12,500	468,658	549,149
- Amortized cost	68,004	78,127	126,051	510,316	371,286	15,993	1,169,777
- FVOCI	23,911	23,786	74,142	315,058	133,078	13,646	583,621
Other financial assets	3,086	-	9,964	-	-	68,046	81,096
Total financial assets	1,979,641	643,496	1,736,295	2,045,236	722,693	661,640	7,789,001
Liabilities							
Borrowing from central bank	23,503	25,811	221,968	-	-	3,064	274,346
Deposits and placements from banks and other financial institutions	863,324	259,043	233,691	5,944	225	3,345	1,365,572
Financial liabilities measured at FVTPL	-	-	-	-	-	16,057	16,057
Derivative financial liabilities	-	-	-	-	-	61,146	61,146
Financial assets sold under repurchase agreements	186,309	30,578	15,396	-	-	63	232,346
Deposits from customers	1,947,776	996,377	494,734	637,591	6	45,923	4,122,407
Debt securities issued	88,462	283,982	448,189	164,676	150,378	4,966	1,140,653
Other financial liabilities	5,220	1,554	2,838	5,165	670	31,986	47,433
Total financial liabilities	3,114,594	1,597,345	1,416,816	813,376	151,279	166,550	7,259,960
Total interest repricing gap	(1,138,039)	(953,849)	319,479	1,231,860	571,414	495,090	529,041

Note: Financial assets listed as within 1 month include overdue amount at 31 December 2021 and 31 December 2020 (less provision for impairment).

The Group performs sensitivity analysis to measure the potential impact of changes in interest rate on net profit and equity. The table below shows the results of the sensitivity analysis on the balance sheet date.

	31 December 2021		31 December 2020	
	Interest rate fluctuation (Basis points)		Interest rate fluctuation (Basis points)	
	-100	+100	-100	+100
(Decrease) / increase in net profit	(3,987)	3,987	(3,885)	3,885
Increase / (decrease) in other comprehensive income under equity	8,323	(7,896)	12,345	(11,554)

The above sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities. The analysis only measures the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's assets and liabilities within the one-year period.

- Except for current deposits, assets and liabilities, whose maturity dates are within three months or more than three months but will be repricing within one year, are assumed to be re-priced in the middle of each specified period;
- The interest rates of current deposits and statutory deposit reserves with central bank remain unchanged;
- The yield curve moves in parallel with interest rate;
- There are no changes in assets and liabilities at year end. Based on the assumptions, the actual change in net profit may be different from the sensitivity analysis results.

Based on the assumption of the parallel movement of the yield curve along with interest rate change, the sensitivity analysis of the equity is derived by remeasuring the fair value of debt instruments at fair value through other comprehensive income as a result of changes in interest rate with a certain percentage.

3 Liquidity risk

The Group's liquidity risk management is intended to meet the obligations to serve customers for withdrawal and payment, to achieve the balance between the total amount and structure of assets and liabilities; to reduce the liquidity cost, avoid liquidity crisis of the Group, and to effectively respond to systematic liquidity risk by active management.

The Group has established a well-developed liquidity risk management system. The Board of Directors of the Bank is responsible for reviewing and approving the liquidity risk management system, risk preference, risk limit and contingency plans, and assumes the ultimate responsibility for liquidity risk management; the Board of Supervisors of the Bank is responsible for supervising the performance of liquidity risk management of the Board of Directors and the senior management; the Board of Directors of the Bank authorises the senior management to perform liquidity risk management duties within the Bank; the responsibilities of the Asset-Liability Management Committee are to review liquidity risk management policies, risk limits, stress testing plans and contingency plans, organise functional departments to conduct stress testing, and review stress test reports, etc. Asset-Liability Management Department of the Headquarters of the Bank is responsible for drafting liquidity risk management policies and procedures at a group level and leading specific management of the liquidity risk management, such as qualitative and quantitative analysis. Audit Department of the the Headquarters of the Bank is responsible for the internal audit on liquidity risks. The Group has a prudent liquidity risk preference which complies with the regulatory requirements and management requirements of the Group.

The Group's liquidity risk management system comprises mainly regular and contingent management system which includes 10 components, such as policies and strategies, management framework, regulations, management tools, daily operation, stress tests, system construction, risk monitoring, risk report, and emergency management and drilling.

Daily management of liquidity risk. During the reporting period, the Group kept layered beforehand balanced management of liquidity risk in line with the principle of aggregate balance and structural equilibrium; it carries out real-time monitoring on daily position accounts in local and foreign currencies, and made centralised allocation of positions in local and foreign currencies; it established a beforehand declaration system for large-amount positions, and established a monitoring mechanism for total liquidity level; it prepared a cash flow gap table on a daily basis, used the gap management method to predit cash flow gap changes in future assets and liabilities's on and off-balance sheet items, and regularly (irregularly in case of major events) conducted liquidity risk assessment for assets and liabilities' on and off-balance sheet items; the Group also considered its own liquidity risk policies and risk limit requirements to make active financing arrangement and make adjustments to asset and liability portfolios, enabling the business development to effectively meet the requirements for appropriate liquidty management goals.

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

	31 December 2021							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets								
Cash and deposits with central bank	81,023	-	-	-	-	-	339,973	420,996
Deposits and placements with banks and other financial institutions	76,897	166,260	185,616	9,448	-	-	-	438,221
Financial assets purchased under resale agreements	-	118	-	-	-	-	-	118
Loans and advances to customers	-	1,104,947	1,511,575	1,355,997	1,364,268	58,743	-	5,395,530
Financial investments measured at:								
- FVTPL	424,248	20,285	26,513	34,230	16,904	2,416	7,882	532,478
- Amortized cost	-	118,298	178,310	677,948	544,344	65,286	-	1,584,186
- FVOCI	-	34,245	66,006	341,997	81,907	988	7,082	532,225
Other financial assets	74,364	-	-	-	-	7,657	14,355	96,376
Total financial assets	656,532	1,444,153	1,968,020	2,419,620	2,007,423	135,090	369,292	9,000,130
Liabilities								
Borrowing from central bank	-	37,130	201,493	-	-	-	-	238,623
Deposits and placements from banks and other financial institutions	523,188	381,407	196,138	8,914	612	-	-	1,110,259
Financial liabilities measured at FVTPL	29,585	192	-	427	1,076	-	-	31,280
Financial assets sold under repurchase agreements	-	157,467	17,070	-	-	-	-	174,537
Deposits from customers	2,122,296	1,079,938	589,597	786,823	6	-	-	4,578,660
Debt securities issued	-	263,560	719,460	277,221	153,747	-	-	1,413,988
Lease Liabilities	-	793	2,152	5,576	634	-	-	9,155
Other financial liabilities	27,254	1,423	1,764	1,339	602	-	-	32,382
Total financial liabilities	2,702,323	1,921,910	1,727,674	1,080,300	156,677	-	-	7,588,884
Net liquidity	(2,045,791)	(477,757)	240,346	1,339,320	1,850,746	135,090	369,292	1,411,246
Derivative financial instruments								
- Inflow	-	134,074	103,023	50,719	67	-	-	287,883
- Outflow	-	133,046	101,232	50,093	137	-	-	284,508
Net value of derivative financial instruments	-	1,028	1,791	626	(70)	-	-	3,375
Credit commitments	621,503	324,264	571,643	50,419	2,912	-	-	1,570,741

	31 December 2020							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets								
Cash and deposits with central bank	149,819	-	-	-	-	-	339,269	489,088
Deposits and placements with banks and other financial institutions	103,841	114,442	147,845	23,308	-	-	-	389,436
Financial assets purchased under resale agreements	-	36,531	-	-	-	-	-	36,531
Loans and advances to customers	-	1,086,568	1,583,741	1,299,419	1,370,669	52,444	-	5,392,841
Financial investments measured at:								
- FVTPL	461,322	26,990	21,519	40,799	16,723	4,839	7,336	579,528
- Amortized cost	-	135,900	153,363	614,784	449,321	42,730	-	1,396,098
- FVOCI	-	43,087	89,221	364,340	151,446	1,005	5,835	654,934
Other financial assets	72,674	-	-	-	-	5,825	10,480	88,979
Total financial assets	787,656	1,443,518	1,995,689	2,342,650	1,988,159	106,843	362,920	9,027,435
Liabilities								
Borrowing from central bank	-	50,915	228,531	-	-	-	-	279,446
Deposits and placements from banks and other financial institutions	631,962	494,366	238,289	6,349	279	-	-	1,371,245
Financial liabilities measured at FVTPL	15,032	-	63	316	646	-	-	16,057
Financial assets sold under repurchase agreements	-	217,117	15,501	-	-	-	-	232,618
Deposits from customers	1,953,776	1,025,276	517,063	732,241	7	-	-	4,228,363
Debt securities issued	-	371,987	470,172	203,787	179,193	-	-	1,225,139
Other financial liabilities	29,895	5,868	3,188	7,845	1,463	-	-	48,259
Total financial liabilities	2,630,665	2,165,529	1,472,807	950,538	181,588	-	-	7,401,127
Net liquidity	(1,843,009)	(722,011)	522,882	1,392,112	1,806,571	106,843	362,920	1,626,308
Derivative financial instruments								
- Inflow	-	200,410	131,818	47,467	42	-	-	379,737
- Outflow	-	199,590	130,508	47,240	156	-	-	377,494
Net value of derivative financial instruments	-	820	1,310	227	(114)	-	-	2,243
Credit commitments	471,703	311,621	544,221	38,179	2,807	-	-	1,368,531

4 Fair value of financial instruments

(1) Fair value hierarchy

According to the the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement, the levels are defined as follows:

- Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities. The financial instruments of this level include listed equity securities, debt instruments and open-end fund investments;

- Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities. The financial instruments of this level include most Over-the-Counter (“OTC”) derivatives and bonds. The sources of the yield curve or counterparty credit risk input value parameters are Thomson Reuters, Bloomberg and ChinaBond.com.

- Level 3 inputs: inputs that are unobservable for underlying assets or liabilities. The financial instruments of this level include equity instruments and debt instruments with significant non-observable components.

(2) Financial instruments not measured at fair value

Financial assets and financial liabilities not measured at fair value in the statement of financial position mainly include: deposits with central banks, deposits and placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers (measured at amortized cost), financial investment measured at amortized cost, borrowing from central bank, deposits and placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers, lease liabilities and bonds issued.

The book value and corresponding fair value of financial investment not measured at fair value (financial investment measured at amortized cost) and bonds issued as at 31 December 2021 and 31 December 2020 are listed in the following table.

	31 December 2021				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets：					
Financial investment measured at amortized cost	1,306,188	-	885,585	438,125	1,323,710
Financial liabilities：					
Debt securities issued	1,317,121	-	1,326,573	-	1,326,573

	31 December 2020				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets：					
Financial investment measured at amortized cost	1,169,777	-	957,148	221,417	1,178,565
Financial liabilities：					
Debt securities issued	1,140,653	-	1,142,652	-	1,142,652

(i) Financial investment measured at amortized cost

The fair value of financial investments measured at amortized cost is based on market quotes, and therefore belongs to the first level. If the relevant market information of debt investments cannot be obtained, then the discounted cash flow model is used for the valuation of fair value, which belongs to Level 3. Where applicable, the fair value of financial investments measured at amortized cost are determined with reference to the valuation results of China Central Depository & Clearing Co., Ltd., China Securities Index Co., Ltd. or Bloomberg, which belongs to Level 2.

(ii) Debt securities issued

The fair value of bonds issued is based on public quotes on the market. For bonds that cannot be quoted in the market, the fair value is determined by the discounted cash flow method and is based on the actual return rate matching the remaining maturity of the bond.

In addition to the above financial assets and financial liabilities, the fair value of other financial assets and financial liabilities that are not measured at fair value in the statement of financial position are deteremined with the discounted future cash flow method. There is no significant difference between their book value and fair value because these financial instruments have a shorter duration, or their interest rates fluctuate with market interest rates.

(3) Assests and liabilities measured at fair value a recurring basis

The following table presents the fair value information and the fair value hierarchy of the Group's assets and liabilities which are measured at fair value a recurring basis.

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	392,112	615	6,006	398,733
- Bonds	744	63,378	265	64,387
- Fund trust and asset management plan	-	8,545	10,413	18,958
- Beneficiary certificates	-	13,437	-	13,437
- Equity	-	9,012	-	9,012
- Interbank Certificates of Deposit	4,673	-	3,521	8,194
- ABS	-	6,519	-	6,519
- Wealth management products	-	327	-	327
- Other	-	-	6,467	6,467
Financial investments measured at FVOCI				
- Bonds	44,831	402,238	-	447,069
- Fund trust and asset management plan	-	11,726	-	11,726
- ABS	-	9,198	2	9,200
- Interbank Certificates of Deposit	-	5,134	-	5,134
- Equity	394	-	5,860	6,254
- Other equity investments	-	-	828	828
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	459,324	-	459,324
- Trade financing	-	24,868	-	24,868
FVTPL				
- Discounted bills	-	26,595	-	26,595
- Trade financing	-	19,554	-	19,554
Derivative financial assets	-	33,773	-	33,773
Total financial assets	442,754	1,094,243	33,362	1,570,359
Derivative financial liabilities	-	29,528	-	29,528
Financial liabilities measured at FVTPL				
- Financial liabilities related to precious metals	18,570	291	-	18,861
- Interest of other unit holders in consolidated structured entities	10,702	110	514	11,326
- Financial liabilities associated with short selling of bonds	1,093	-	-	1,093
Total financial liabilities	30,365	29,929	514	60,808

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	425,124	470	2,958	428,552
- Bonds	3,652	63,005	298	66,955
- Fund trust and asset management plan	-	8,491	11,803	20,294
- Beneficiary certificates	-	18,651	-	18,651
- Equity	3,559	220	1,325	5,104
- Interbank Certificates of Deposit	-	2,988	-	2,988
- ABS	-	562	-	562
- Wealth management products	-	-	72	72
- Other	-	-	5,971	5,971
Financial investments measured at FVOCI				
- Bonds	48,180	465,133	-	513,313
- Fund trust and asset management plan	-	43,997	1,014	45,011
- ABS	-	7,818	-	7,818
- Interbank Certificates of Deposit	-	3,833	-	3,833
- Equity	375	-	4,643	5,018
- Other equity investments	-	-	817	817
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	416,881	-	416,881
- Trade financing	-	5,627	-	5,627
FVTPL				
- Discounted bills	-	15,336	-	15,336
- Trade financing	-	2,944	-	2,944
Derivative financial assets	-	63,589	-	63,589
Total financial assets	480,890	1,119,545	28,901	1,629,336
Derivative financial liabilities	-	61,146	-	61,146
Financial liabilities measured at FVTPL				
- Financial liabilities related to precious metals	5,236	831	-	6,067
- Interest of other unit holders in consolidated structured entities	8,330	181	1,479	9,990
Total financial liabilities	13,566	62,158	1,479	77,203

The Group takes the date of the event that caused the transfer between levels as the date of the transfer. There is no transfer between the first and second levels this year.

(i) Level 2 Financial Instruments

The fair value of financial instruments that are not traded in an active market (such as OTC derivatives) is determined using valuation techniques. Valuation techniques use observable market data (if any) as much as possible, and rely as little as possible on the entity's specific estimates. If all significant inputs required to calculate the fair value of a financial instrument are observable data, the financial instrument is included in level 2. If one or more significant inputs are not based on observable market data, the financial instrument is included in level 3.

The financial instruments classified by the Group as level 2 mainly include bonds, foreign exchange forwards and swaps, interest rate swaps and foreign exchange options. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Foreign exchange forwards and swaps, interest rate swaps, foreign exchange options are valued using cash flow discounts and the Blair-Scholes model. All significant valuation parameters are obtained from observable market information.

(ii) Level 3 Financial Instruments

The changes in the Group's Level 3 assets and liabilities as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial liabilities measured at FVTPL	Total
1 Janurary 2021	22,427	6,474	(1,479)	27,422
Additions	10,077	1,212	(417)	10,872
Disposals and settlements	(6,546)	(781)	1,013	(6,314)
Total gains / (losses) recorded in profit or loss	714	-	369	1,083
Total gains / (losses) recorded in other comprehensive income	-	(215)	-	(215)
31 December 2021	26,672	6,690	(514)	32,848
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2021 for the positions held at 31 December 2021	1,344	-	172	1,516

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial liabilities measured at FVTPL	Total
1 Janurary 2020	59,675	7,878	(1,857)	65,696
Additions	3,665	740	(1,313)	3,092
Disposals and settlements	(41,243)	(2,010)	1,652	(41,601)
Total gains / (losses) recorded in profit or loss	330	311	39	680
Total gains / (losses) recorded in other comprehensive income	-	(445)	-	(445)
31 December 2020	22,427	6,474	(1,479)	27,422
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2020 for the positions held at 31 December 2020	(843)	-	14	(829)

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

31 December 2021	Fair value	Valuation method	Unobservable inputs
Financial investments:			
Financial investments measured at FVTPL			
- Fund trust and asset management plan	7,092	Income approach	Discount rate
	3,321	Refer to recent transactions	Liquidity discount
- Fund	6,006	Refer to recent transactions	Liquidity discount
- Equity	3,521	Income approach	Discount rate
- Bonds	265	Income approach	Discount rate
- Wealth management products		Income approach	Discount rate
- Other	6,467	Refer to recent transactions	Discount rate
	26,672		
Financial investments measured at FVOCI			
- Fund trust and asset management plan	2	Income approach	Discount rate
- Equity	2,877	Refer to recent transactions	Liquidity discount
	2,857	Market approach	Liquidity discount P/B ratio
	126	Market approach	Liquidity discount P/E ratio
- Other equity investments	767	Market approach	Liquidity discount P/B ratio
	61	Refer to recent transactions	Liquidity discount P/E ratio
	6,690		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	514	Note 1	Note 1

31 December 2020	Fair value	Valuation method	Unobservable inputs
Financial investments:			
Financial investments measured at FVTPL			
- Fund trust and asset management plan	10,997	Income approach	Discount rate
	806	Refer to recent transactions	NA
- Equity	1,325	Income approach	Discount rate
- Fund	2,958	Refer to recent transactions	NA
- Bonds	298	Income approach	Discount rate
- Wealth management products	72	Income approach	Discount rate
- Other	5,971	Refer to recent transactions	Discount rate
	22,427		
Financial investments measured at FVOCI			
- Fund trust and asset management plan	1,014	Income approach	Discount rate
- Equity	1,657	Refer to recent transactions	NA
	2,860	Market approach	Liquidity discount P/B ratio
	126	Market approach	Liquidity discount P/E ratio
- Other equity investments	50	Market approach	Liquidity discount P/B ratio
	767	Refer to recent transactions	NA
	6,474		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	1,479	Note 1	Note 1

Note1: The fair value of the interest of other unit holders in consolidated structured entities is the amount attributable to the investor of the structured entity based on the net value of the structured entity.

5 Offsetting of financial assets and financial liabilities

Some financial assets and financial liabilities in the Group follow executable net amount settlement arrangements or similar agreements. Such arrangements with the Group and counterparties normally allow the net amount settlement under agreements of both parties. If no agreement is reached, it would be settled in full amount. But one party could choose to settle in net amount under the condition that the other party violates the agreement. According to the requirements of the Accounting Standards for Business Enterprises, the Group did not offset these financial assets and financial liabilities.

As at 31 December 2021, the amount of the Group’s financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

6 Capital management

The objectives of the Group’s capital management are to:

(1) Satisfy regulatory requirements for capital adequacy ratio on an ongoing basis, ensure operational compliance to ultimately optimise capital stock and structure.
(2) Ensure adequate capital for resisting corresponding risks, realise the operational safety, and keep capital at an adequate and reasonable level.
(3) Establish a capital allocation and management system that focuses on economic capital, optimise the resource allocation and management control mechanism at the group level, achieve capital intensive management to ultimately maximise shareholders’ value.

The Group manages its capital structure and adjust it based on the changes in economic condition and the risk characteristics. Generally, the mechanism of adjusting the capital structure comprises dividend distribution policies and issuance of additional capital instruments such as tier 1 capital instruments and tier 2 capital instruments, etc.

In China, commercial banks should meet the requirements for capital adequacy ratio set out in the Administrative Measures on the Capital of Commercial Banks (for Trial Implementation) which required the capital adequacy ratio of core tier 1 capital shall not be less than 7.50%, capital adequacy ratio of tier 1 capital shall not be less than 8.50% and capital adequacy ratio shall not be less than 10.50%.

In addition, the PBOC and the CBIRC have formulated evaluation of systemically important banks and the Additional Regulatory Rules for Systemically Important Banks (for Trial Implementation). According to the above provisions, systemically important banks shall meet certain additional capital requirements in addition to minimum capital requirements, reserve capital and counter-cyclical capital requirements, which are satisfied by core Tier 1 capital. Systemically important banks are divided into five groups, and the additional capital requirements of 0.25%, 0.5%, 0.75%, 1% and 1.5% shall apply to the banks in Group I to Group V respectively. According to the list of systemically important banks issued by the PBOC and CBIRC in October 2021, the bank was identified as systemically important banks in Group II. Therefore, after considering the additional capital requirements of systemically important banks, the group will meet the minimum requirement of 8% of core tier 1 capital adequacy from January 1, 2023.

	The Group	
	31 December 2021	31 December 2020
Core tier 1 capital - net	548,486	519,268
Tier 1 capital - net	658,929	629,653
Capital - net	817,715	798,859
Total risk weighted assets	5,835,947	5,458,504
Core tier 1 capital adequacy ratio	9.40%	9.51%
Tier 1 capital adequacy ratio	11.29%	11.54%
Capital adequacy ratio	14.01%	14.64%

(1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratios includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2) The Group's Core Tier 1 Capital includes ordinary shares, equity components of the convertible corporate bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general risk reserve, retained earnings, minority interests (to the extent permitted in the Core Tier 1 Capital under the Regulation).

(3) The Group's Deductible Items from Core Tier 1 Capital include other intangible assets (excluding land use rights) after deducting the related deferred tax liabilities and the net amount of goodwill after deducting related deferred tax liabilities.

(4) The Group's other Tier 1 Capital includes preference shares, Perpetual bondand minority interests to the extent permitted by the capital rules.

(5) The Group's Tier 2 Capital includes: Tier 2 capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests to the extent permitted by the capital rules.

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk weighted Assets and Operational Risk-weighted Assets respectively.

IX ASSET PLEDGED

Certain assets of the Group are pledged as collateral for financial liabilities, and the analysis of these assets are as follows:

	31 December 2021	31 December 2020
Financial investments	522,642	491,435
Discounted bills	44,167	107,497
Bank loans	547	778
Total	567,356	599,710

X EVENTS AFTER THE REPORTING DATE

1 Profit distribution plan

The Bank convened the board of directors on 26 April 2022, approved the profit distribution plan for 2021 and submitted it to the annual general meeting for consideration and approval.

2 Establishment of the subsidiary

In January 2022, the Bank received the approval from CBIRC on the opening of Puyin Wealth Management Co., Ltd. (CBIRC [2022] No.4), thus the wholly-owned subsidiary Puyin Wealth Management Co., Ltd. was approved to open with a registered capital of RMB 5 billion. The Bank will strictly perform its duties as a shareholder in accordance with regulatory requirements.

XI COMPARATIVE FIGURES

In order to be consistent with the presentation of financial statements for the current year, a number of comparative figures have been reclassified.