

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR (IN THE CASE OF AN OFFERING OR SALE IN RELIANCE ON CATEGORY 2 OF REGULATION S UNDER THE SECURITIES ACT) TO ANY U.S. PERSONS

IMPORTANT: You must read the following before continuing. It applies to the offering circular which follows this page (the “**Offering Circular**”), and you are therefore advised to review this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF SECURITIES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES OR (IN THE CASE OF AN OFFERING OR SALE IN RELIANCE ON CATEGORY 2 OF REGULATION S UNDER THE SECURITIES ACT) TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION.

THE OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States and (in the case of an offering or sale in reliance on Category 2 of Regulation S under the Securities Act) not be a U.S. person or acting for the account or benefit of a U.S. person in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to Citigroup Global Markets Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd. Singapore Branch and SPDB International Capital Limited (each an “**Arranger**” or “**Dealer**” and collectively, the “**Arrangers**” or “**Dealers**”), Shanghai Pudong Development Bank Co., Ltd. (the “**Bank**”) or any branch of the Bank located in Hong Kong, Macau or Taiwan, or any branch of the Bank located outside the PRC (each such branch of the Bank, a “**Branch Issuer**”), as specified in the applicable pricing supplement (each an “**Issuer**”) that (1) you and any customers you represent are not, and that the electronic mail address that you gave us and to which this e-mail has been delivered is not, located in the United States and (in the case of an offering or sale in reliance on Category 2 of Regulation S under the Securities Act) are not a U.S. person or acting for the account or benefit of a U.S. person and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “**Reply**” function on your e-mail software, will be ignored or rejected.

The Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Arranger or Dealer or any affiliate of such Arranger or Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Arranger or Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Bank, the Branch Issuer, the Arrangers, the Dealers or the Agents (as defined in “*Terms and Conditions of the Notes*”), nor any person who controls any of them, nor any director, officer, employee, nor agent of any of them, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

U.S.\$5,000,000,000 Medium Term Note Programme

Shanghai Pudong Development Bank Co., Ltd. (the “**Bank**”) or any branch of the Bank located in Hong Kong, Macau or Taiwan, or any branch of the Bank located outside the PRC (each such branch of the Bank, a “**Branch Issuer**”), as specified in the applicable Pricing Supplement (as defined below) (each, an “**Issuer**”) may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the “**Notes**”) under the U.S.\$5,000,000,000 Medium Term Note Programme described in this Offering Circular (the “**Programme**”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$5,000,000,000 (or the equivalent in other currencies), subject to increases of the programme size made in accordance with the terms of the amended and restated dealer agreement dated 15 March 2024 entered into by the Bank (on behalf of itself and each Branch Issuer) as amended and/or supplemented and/or restated from time to time (the “**Dealer Agreement**”).

The Notes may be issued on a continuing basis to one or more of the dealers appointed under the Programme from time to time by the relevant Issuer (each a “**Dealer**”) and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Investing in the Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement (as defined in “*Summary of the Programme*”) and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with the Notes. The principal risk factors that may affect the ability of the Bank, or as the case may be, the relevant Branch Issuer to fulfill its obligations in respect of the Notes are discussed under “*Risk Factors*” below.

Application has been made to The Stock Exchange of Hong Kong Limited (the “**HKSE**”) for the listing of the Programme under which Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only during the 12-month period after the date of this Offering Circular on the HKSE. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: Each relevant Branch Issuer and the Bank confirms that the Notes to be issued under the Programme are intended for purchase by Professional Investors only and the Programme and the Notes (to the extent such Notes are to be listed on the HKSE) will be listed on the HKSE on that basis. Accordingly, each relevant Branch Issuer and the Bank confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, each relevant Branch Issuer or the Bank or the Group (as defined below) or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Series of Notes will specify whether or not such Series of Notes will be listed on the HKSE (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system). Notice of the aggregate nominal amount of Notes, interest payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Series (as defined in “*Summary of the Programme*”) of Notes will be set out in the Pricing Supplement which, with respect to Notes to be listed on the HKSE, will be delivered to the HKSE, on or before the date of issue of such series of Notes.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in, and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval in-principle from, the admission of any Notes to the Official List of, and the quotation of any Notes on, the SGX-ST, are not to be taken as indications of the merits of the relevant Branch Issuer, the Bank, its subsidiaries and associated companies (if any), the Group (as defined below), the Programme or such Notes. If the application to the SGX-ST to list a particular series of Notes is approved, for so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least S\$200,000 (or its equivalent in other currencies).

Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted by the National Development and Reform Commission of the PRC (the “**NDRC**”) pursuant to the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debt of Enterprises (企业中长期外债审核登记管理办法(国家发展和改革委员会令 第56号)) issued by the NDRC and effective from 10 February 2023 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Measures**”). After the issuance of such relevant Tranche of Notes, the relevant Branch Issuer (acting through the Bank) or, as the case may be, the Bank, undertakes to file or cause to be filed with the NDRC the requisite information and documents within the relevant prescribed timeframes from time to time after the relevant Issue Date in accordance with the NDRC Measures and comply with the NDRC Measures and other obligations required by the NDRC as it applies to such Tranche of Notes.

Where the Circular on Issues concerning the Macro-prudential Management of Full-covered Cross-border Financing (Yin Fa [2017] No. 9) (中国人民银行关于全口径跨境融资宏观审慎管理有关事宜的通知) issued by the People's Bank of China (the “**PBOC**”) and which came into effect on 12 January 2017, and any implementation rules as issued by the PBOC from time to time (the “**PBOC Circular**”) applies to the Tranche of Notes to be issued, the Bank undertakes to file or cause to be filed with the PBOC a notification of the requisite information and documents in connection with such Tranche of Notes to the PBOC and/or the State Administration of Foreign Exchange or its local counterparts (“**SAFE**”) within the prescribed timeframe after the relevant Issue Date in accordance with the PBOC Circular.

Where the Implementing Measures of the China Banking and Insurance Regulatory Commission for Administrative Licensing Matters for Chinese-funded Commercial Banks (Order of the China Banking and Insurance Regulatory Commission [2022] No. 5) (中国银保监会中资商业银行行政许可事项实施办法) issued by the former China Banking and Insurance Regulatory Commission of the PRC, which came into effect on 2 September 2022, and any implementation rules issued by the National Administration of Financial Regulation (the “**NAFR**”) from time to time (the “**NAFR Measures**”) applies to the Tranche of Notes to be issued, the Bank undertakes to complete the reporting in connection with such Tranche of Notes to the NAFR (if applicable) within the prescribed timeframe after the relevant Issue Date in accordance with the NAFR Approval (as defined in “*Terms and Conditions of the Notes*”).

Where the Service Guidance on the Examination and Approval of the Interbank Bond Market or Issuance of Overseas Financial Bonds (No. 21010 of the Service Guidance on PBOC Administrative Licensing Matters) (在银行间债券市场或到境外发行金融债券审批事项服务指南) issued by the PBOC and which came into effect on 5 June 2020, and any implementation rules as issued by the PBOC from time to time (the “**PBOC Service Guidance**”) applies to the Tranche of Notes to be issued, the Bank undertakes to complete the reporting in connection with such Tranche of Notes to the PBOC (if applicable) within the prescribed timeframe after the relevant Issue Date in accordance with the PBOC Approval (as defined in “*Terms and Conditions of the Notes*”).

Each Series of Notes in bearer form (“**Bearer Notes**”) will be represented on issue by a temporary global note in bearer form (each a “**Temporary Global Note**”) or a permanent global note in bearer form (each a “**Permanent Global Note**”), together with the Temporary Global Note, the “**Global Notes**”). Notes in registered form will be represented by registered certificates (each a “**Note Certificate**”), one Note Certificate being issued in respect of each holder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global note certificate (each a “**Global Note Certificate**”) without interest coupons. The Global Notes and Global Note Certificates may be deposited on the relevant Issue Date (a) in the case of a Series intended to be cleared through Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”), with a common depositary on behalf of Euroclear and Clearstream or with a sub-custodian for the Central Moneymarkets Unit Service (the “**CMU**”), operated by the Hong Kong Monetary Authority (the “**HKMA**”) and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream or CMU, or delivered outside a clearing system, as agreed between the relevant Issuer and the relevant Dealer.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or the securities laws of any state of the United States or other jurisdiction, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. The Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S under the Securities Act, to, or for the account or the benefit of U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act and all applicable securities laws of any state of the United States and any other jurisdiction. Registered Notes are subject to certain restrictions on transfer. See “*Subscription and Sale*”.

MIFID II Product Governance/Target Market – The Pricing Supplement in respect of any Notes may include a legend entitled “**MIFID II Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**MIFID II**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MIFID II Product Governance rules under EU Delegated Directive 2017/593 (the “**MIFID II Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID II Product Governance Rules.

UK MIFIR Product Governance/Target Market – The Pricing Supplement in respect of any Notes may include a legend entitled “**UK MIFIR Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MIFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MIFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

PRIPs Regulation – Prohibition of Sales to EEA Retail Investors – If the Pricing Supplement in respect of any Notes includes a legend entitled “**Prohibition of Sales to EEA Retail Investors**”, such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MIFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MIFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

UK PRIIPs Regulation – Prohibition of Sales to UK Retail Investors – If the Pricing Supplement in respect of any Notes includes a legend entitled “**Prohibition of Sales to UK Retail Investors**”, such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification – The Pricing Supplement in respect of any Notes may include a legend entitled “**Singapore Securities and Futures Act Product Classification**” which will state the product classification of the Notes pursuant to Section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”). If applicable, the relevant Issuer will make a determination and provide the appropriate written notification to “relevant persons” in relation to each issue about the classification of the Notes being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.

The Programme is expected to be rated Baa2 by Moody's Investor Service, Inc. (“**Moody's**”). Tranches of Notes to be issued under the Programme may be rated or unrated.

Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arrangers and Dealers for the Programme

Citigroup

Shanghai Pudong Development Bank

SPDB International

Offering Circular dated 30 May 2025

IMPORTANT NOTICE

The Bank (as to itself and the Group (as defined below)), having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Bank, the Bank and its subsidiaries (“**Group**”), the Programme and the Notes which is material in the context of the issue and offering of the Notes (including all information required by applicable laws, regulations and the listing rules of the relevant stock exchange, being the HKSE, the SGX-ST and/or such other stock exchange or market on which any Notes may be listed or admitted to trading, which, according to the particular nature of the Branch Issuer, the Bank, the Group, the Programme and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank and the Group and of the rights attached to the Notes), (ii) all statements contained in this Offering Circular are in every material particular true and accurate and not misleading, (iii) the statements of intention, opinion, belief or expectation with respect to the Bank and the Group contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances, (iv) there are no other facts in relation to the Bank, the Group, the Programme and the Notes the omission of which would, in the context of the issue of the Notes, make any statement in this Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such statements in this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the relevant Branch Issuer, the Bank and the Group. Each of the relevant Branch Issuer and the Bank accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Listing of the Programme or any Series of Notes on the HKSE and/or the SGX-ST is not to be taken as an indication of the merits of the relevant Branch Issuer, the Bank, its subsidiaries and associated companies (if any), the Group, the Programme or such Series of Notes. In making an investment decision, investors must rely on their own examination of the relevant Branch Issuer, the Bank and the terms of the offering of the Notes, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

MiFID II Product Governance/Target Market – The Pricing Supplement in respect of any Notes may include a legend entitled “**MiFID II Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR Product Governance/Target Market – The Pricing Supplement in respect of any Notes may include a legend entitled “**UK MiFIR Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should

take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

PRIIPs Regulation – Prohibition of Sales to EEA Retail Investors – If the Pricing Supplement in respect of any Notes includes a legend entitled “**Prohibition of Sales to EEA Retail Investors**”, such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation – Prohibition of Sales to UK Retail Investors – If the Pricing Supplement in respect of any Notes includes a legend entitled “**Prohibition of Sales to UK Retail Investors**”, such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently, no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification – The Pricing Supplement in respect of any Notes may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Notes pursuant to Section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”). If applicable, the relevant Issuer will make a determination and provide the appropriate written notification to “relevant persons” in relation to each issue about the classification of the Notes being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.

No person is or has been authorised by the relevant Branch Issuer or the Bank to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the relevant Branch Issuer, the Bank, or any of the Arrangers or the Dealers or the Agents. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by any of the relevant Branch Issuer, the Bank, any Arranger, any Dealer or any Agents that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. This Offering Circular does not take into account

the objectives, financial situation or needs of any potential investor. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Branch Issuer and the Bank. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the relevant Branch Issuer, the Bank, any Arranger, any Dealer or any Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the relevant Branch Issuer, the Bank or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the relevant Branch Issuer, the Bank or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Notes are being offered and sold outside the United States and (in the case of an offering or sale in reliance on Category 2 of Regulation S under the Securities Act) to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular, see “*Subscription and Sale*” and the relevant Pricing Supplement.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the relevant Branch Issuer, the Bank, any Arranger, any Dealer or any Agent makes any representation to any investor in the Notes regarding the legality of its investment under any applicable law. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions.

None of the relevant Branch Issuer, the Bank, the Arrangers, the Dealers or the Agents represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Pricing Supplement, no action has been taken by the relevant Branch Issuer, the Bank, the Arrangers, the Dealers or the Agents which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the EEA, the United Kingdom, Japan, the PRC, Hong Kong, Singapore, Macau and Taiwan. See “*Subscription and Sale*” and the relevant Pricing Supplement.

None of the Arrangers, the Dealers or the Agents independently verified the information contained herein. To the fullest extent permitted by law, none of the Arrangers, the Dealers or the Agents accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by any Arranger, Dealer or Agent on its behalf in connection with the relevant Branch Issuer, the Bank, the Programme or the issue and offering of the Notes. Each of the Arrangers, Dealers and Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements of the Bank or the Group are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the relevant Branch Issuer, the Bank, the Arrangers, the Dealers and the Agents that any recipient of this Offering Circular or any financial statements of the Bank or the Group should purchase the Notes. Each potential investor of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers or the Agents undertakes to review the financial condition or affairs of the relevant Branch Issuer, the Bank or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers or the Agents.

From time to time, in the ordinary course of business, certain of the Dealers and their affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Bank and its affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and their affiliates will continue to provide such services to, and enter into such transactions with, the Bank and its affiliates in the future.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

In making an investment decision, each potential investor must rely on its own examination of the relevant Branch Issuer, the Bank or the Group and the terms of the Notes being offered, including the merits and risks involved. The Bank (or, as the case may be, the relevant Branch Issuer) does not, and the Arrangers, the Dealers and the Agents do not, make any representation regarding the legality of investment under any applicable laws.

Potential investors should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Important Notice to Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme (each such offering, a “**CMI Offering**”), including certain Dealers, may be “capital market intermediaries” (“**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OCs**”) for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Branch Issuer, the Bank, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the relevant Branch Issuer, the Bank, the CMI or the relevant group company. Prospective investors associated with the relevant Branch Issuer, the Bank or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by relevant Branch Issuer or the Bank, as the case may be, to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the relevant Branch Issuer, the Bank, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (THE “STABILISATION MANAGER(S)”) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME,

BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In this Offering Circular, unless otherwise specified, references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China, all references to the “**PRC**” or “**China**” are to the People’s Republic of China, excluding Taiwan, Hong Kong and the Macau Special Administrative Region, references to “**U.S.\$**”, “**U.S. dollars**” or “**USD**” are to the lawful currency of the United States of America, references to “**Renminbi**” or “**RMB**” are to the lawful currency of the PRC, and references to “**Hong Kong dollars**” or “**HK\$**” are to the lawful currency of Hong Kong.

In this Offering Circular, unless otherwise specified, references to:

- the “**Bank**” are to Shanghai Pudong Development Bank Co., Ltd. and, as the context may require, its subsidiaries;
- the “**Issuer**” are to the Bank or, in respect of any Tranche of Notes issued by a Branch Issuer, such Branch Issuer as specified in the relevant Pricing Supplement;
- the “**branch outlet**” include the head office, branches and outlets and other establishments of the Bank;
- a “**business day**” are to a day that is not Saturday, Sunday or a public holiday in Hong Kong; and
- the terms “**associate**”, “**subsidiary**” and “**substantial shareholder**” shall have the meanings given to such terms in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, unless the context otherwise requires.

Presentation of Financial Information

This Offering Circular contains the audited consolidated financial information of the Bank as at and for the years ended 31 December 2022, 2023 and 2024, and the unaudited and unreviewed consolidated quarterly financial information of the Bank as at and for the three months ended 31 March 2024 and 2025. The audited consolidated financial information of the Bank as at and for the years ended 31 December 2022, 2023 and 2024 has been extracted from the Bank’s published audited consolidated financial statements for the year ended 31 December 2023 (the “**Group’s 2023 Financial Statements**”) and the Bank’s published audited consolidated financial statements for the year ended 31 December 2024 (the “**Group’s 2024 Financial Statements**”), both of which have been audited by KPMG Huazhen LLP (“**KPMG**”).

The audited consolidated financial statements of the Bank were prepared in accordance with the International Financial Reporting Standards (“**IFRS**”), issued by the International Accounting Standards Board (the “**IASB**”). The unaudited and unreviewed consolidated quarterly financial information were prepared in accordance with the Accounting Standards for Business Enterprise in China (“**PRC GAAP**”). PRC GAAP differs in certain respects from IFRS. This Offering Circular does not contain a reconciliation of the financial information presented in PRC GAAP and related footnote disclosures to IFRS. Had the unaudited and unreviewed consolidated quarterly financial statements been prepared in accordance with IFRS, the presentation of the Bank’s results of operations and financial position may have been materially different. Accordingly, in making an investment decision, potential investors should consult their own professional advisers for an understanding of the differences between PRC GAAP and IFRS and how these differences might affect the financial information stated herein. The quarterly financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an

audit or review. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operations.

The audited consolidated financial statements of the Bank have been prepared in Chinese only (the “**Chinese Financial Statements**”), which can be downloaded free of charge from the websites of the Shanghai Stock Exchange at <http://www.sse.com.cn> and the Bank at <http://www.spdb.com.cn>, respectively. Such Chinese Financial Statements are deemed to be incorporated in, and to form part of, this Offering Circular. The Bank has prepared the English translations of its audited consolidated financial statements as at and for the years ended 31 December 2023 and 2024, which are included elsewhere in this Offering Circular for reference only.

Should there be any inconsistency between the Chinese Financial Statements and the English translations, the Chinese Financial Statements shall prevail. The English translations do not constitute audited or, as the case may be, unaudited financial statements, and are qualified in their entirety by, and are subject to the financial information set out or referred to in, the Chinese Financial Statements.

The Arrangers and Dealers have not independently verified or checked the accuracy of the English translations and can give no assurance that the information contained in the English translations is accurate, truthful or complete.

From 1 January 2022, the Bank adopted new amendments to IFRS (including IASs and its amendments) that are effective in 2022 to its accounting policies, including the Amendments to IFRS 3 – Reference to the Conceptual Framework, the Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract; the Amendments to IAS 16 – Property, Plant and Equipment – any proceeds received before it reaches ready-to-use condition and the Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 – Annual Improvements to IFRS Standards 2018 – 2020 Cycle.

From 1 January 2023, the Bank adopted new amendments to IFRS (including IASs and its amendments) that are effective in 2023 to its accounting policies, including IFRS 17 – Insurance Contracts and its amendments, the Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies, the Amendments to IFRS 8 – Definition of accounting estimate and the Amendments to IFRS 12 – Deferred tax related to assets and liabilities arising from single transaction.

From 1 January 2024, the Bank adopted new amendments to IFRS (including IASs and its amendments) that are effective in 2024 to its accounting policies, including the amendments to IFRS 16 – Lease liabilities in a Sale and Leaseback, the Amendments to IAS 1 – Classification of Liabilities as Current or Non-current, the Amendments to IAS 1 – Non-current Liabilities with Covenants and the Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements.

The initial adoption of the above amendments did not have any material impact on the financial position and financial performance of the Bank.

Unless otherwise stated, all financial data contained herein which is stated as relating to the Bank is referring to the consolidated data of the Bank.

In this Offering Circular, because certain amounts have been rounded, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items, and actual numbers may differ from those contained herein due to rounding.

Documents Incorporated by Reference

With respect to any Notes issued by the Bank or any Branch Issuer, this Offering Circular shall be read and construed in accordance with (i) each relevant Pricing Supplement, (ii) the most recently published audited consolidated annual financial statements of the Bank and the most recently published unaudited but reviewed condensed interim financial statements of the Bank prepared under the International Accounting Standards 34

(“IAS 34”), in each case published from time to time after the date of this Offering Circular, and in each case together with any audit or review reports prepared in connection therewith, (iii) the most recently published unaudited and unreviewed consolidated quarterly reports of the Bank prepared under PRC GAAP, published subsequent to the date of this Offering Circular, and (iv) all amendments and supplements from time to time to this Offering Circular, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with the contents of this Offering Circular.

The Bank publishes its consolidated semi-annual interim reports in respect of the six months ended 30 June of each financial year. A copy of the semi-annual interim reports can be found on the website of the Shanghai Stock Exchange. The semi-annual interim reports have not been, and will not be, audited by the Bank’s auditors and were and will be prepared under IAS 34 issued by the IASB.

The Bank publishes its consolidated quarterly reports in respect of the three months ended 31 March and 30 September of each financial year. A copy of the quarterly reports can be found on the website of the Shanghai Stock Exchange. The quarterly reports have not been, and will not be, audited or reviewed by the Bank’s auditors and were and will be prepared under PRC GAAP.

Each of the semi-annual and quarterly reports should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or, as applicable, review. Potential investors should exercise caution when using such data to evaluate the Bank’s financial condition and results of operation. Each of the semi-annual and quarterly reports should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon written request) for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified office of the Bank and of the Fiscal Agent (as defined below) as set out on the last page of this Offering Circular.

Supplemental Offering Circular

The Bank or the relevant Branch Issuer shall prepare and publish a new offering circular or a supplement to this Offering Circular (i) on or before each anniversary of the date of this Offering Circular, and (ii) in the event that a significant new factor, material mistake or material inaccuracy relating to the information included in this Offering Circular arises or is noted which is capable of affecting the assessment of any Notes which may be issued under the Programme. The Bank or the relevant Branch Issuer, as the case may be, shall procure that any such supplement to this Offering Circular or any such new offering circular is made available to the public in accordance with the requirements of any competent authorities, stock exchanges and/or quotation systems on which Notes are admitted to listing, trading and/or quotation, and shall deliver to the Dealers, without charge, from time to time as requested as many copies of any such supplement to the Offering Circular or any such new offering circular as the Dealers may reasonably request.

Special Note on Forward-Looking Statements

Certain statements under “*Risk Factors*”, “*Description of the Bank*” and elsewhere in this Offering Circular constitute “forward-looking statements”. The words including “**believe**”, “**expect**”, “**plan**”, “**anticipate**”, “**schedule**”, “**estimate**”, “**may**”, “**will**” and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Bank and the plans and objectives of the Bank’s management for their future

operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Bank to differ materially from those expressed or implied by such forward-looking statements. Reliance should not be placed on these forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future. The Bank expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Bank's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*", "*Description of the Bank*" and elsewhere, important factors that could cause actual results to differ materially from the Bank's expectations. All subsequent written and forward-looking statements attributable to each of the Bank or persons acting on behalf of each of them are expressly qualified in their entirety by such cautionary statements.

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OVERVIEW

The summary below is only intended to provide a limited overview of the information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

The Bank

The Bank is a national joint-stock commercial bank founded on 28 August 1992. The Bank commenced business on 9 January 1993 and was listed on the Shanghai Stock Exchange (Stock Code: 600000.SS) on 10 November 1999, becoming the first commercial bank listed on the Shanghai Stock Exchange following the promulgation of the PRC Securities Law.

The Bank's principal business activities are corporate banking, retail banking and financial market and financial institution business. As at 31 December 2024, the Bank had 42 tier-one branches (including the Hong Kong Branch, Singapore Branch and London Branch) and a total of 1,708 banking outlets, covering 31 provinces, autonomous regions and municipalities directly under the central government, Hong Kong, Singapore and London. The Bank is strategically focused in economically developed areas with higher levels of income, including the Yangtze River Delta region, the Pearl River Delta region, the Beijing-Tianjin-Hebei metropolitan region and the Yangtze River economic zone.

As at 31 December 2022, 2023 and 2024, the Bank held RMB8,704.7 billion, RMB9,007.2 billion, and RMB9,461.9 billion in total assets, respectively, RMB4,798.4 billion, RMB4,904.7 billion, and RMB5,269.2 billion in gross loans and advances to customers, respectively, and RMB4,893.8 billion, RMB5,060.3 billion, and RMB5,229.3 billion in total deposits from customers, respectively.¹ For the years ended 2022, 2023 and 2024, the Bank's net profit attributable to shareholders of the Bank amounted to RMB51,171 million, RMB36,702 million and RMB45,257 million, respectively.¹ In June 2024, the Bank ranked 159th on the Forbes Global 2000 list, being 10th among the Chinese banks on the list. In July 2024, the Bank ranked 19th on the Top 1000 World Banks list released by The Banker, being tenth among the Chinese-funded banks on the list. In August 2024, the Bank ranked 292nd on the Fortune Global 500 list, being eighth among the Chinese banks on the list, demonstrating its sound competitiveness. Furthermore, it is one of the few domestic joint-stock commercial banks rated above investment grade by each of the Big Three credit rating agencies. It ranked seventh among the "Top 100 Shanghai Enterprises" and fifth among the "Top 100 Shanghai Service Enterprises" by the Shanghai Enterprise Federation in 2021.

As at the date of this Offering Circular, the Bank has a Long-Term Issuer Default Rating of BBB by Fitch Ratings, issuer credit ratings of BBB (long-term) and A-2 (short-term) by S&P Global Ratings and deposit ratings of Baa2 (long-term) and Prime-2 (short-term) by Moody's Investors Service. All of the Bank's rating outlooks are stable. These ratings reflect the Bank's consistent execution of its business strategy and solid financial performance over the past years.

As a dedicated financial service provider, the Bank is also committed to corporate citizenship and fulfilling its social responsibility. In 2022, the Bank received the "1st Shanghai Charity Awards" under the category of Charitable Enterprises by Shanghai Municipal People's Government. The Bank was also named among the "Fortune China ESG Impact List" by the Fortune magazine in the same year. In 2020, the Bank was granted the "Excellent Case of Social Responsibility Communication" by the China Banking and Insurance News. In 2019, the Bank received the "Best Green Finance Achievements Award" and was named a Model Enterprise in the overall evaluation of green banks by the China Banking Association. In 2019, the Bank also received the "China

¹ These consolidated financial data have been prepared in accordance with IFRS.

Social Responsibility Annual Case Award” by China Financial Publishing House. In 2018, the Bank received the “Best Contribution Award for Targeted Poverty Alleviation” and “Best Outlet Award for Special CSR Contribution” granted by the China Banking Association.

Strengths

The Bank’s principal strengths include:

- strong support from substantial shareholders and geographic advantages allow the Bank to establish itself as the flagship Shanghai bank;
- with a focus on more economically developed regions, the Bank has established an extensive distribution network and a diversified service channel throughout the PRC;
- the Bank has achieved steady development through adopting a customer-oriented strategy;
- the Bank has achieved leading profitability and continues to strengthen its business structure and capital base;
- all-round digital operation and continued innovation; and
- the Bank’s experienced management team leads the Bank in maintaining its core competitiveness.

Recent Developments

2025 First Quarter Results

On 29 April 2025, the Bank published the unaudited and unreviewed consolidated quarterly financial information of the Bank as at and for the three months ended 31 March 2025 on the website of Shanghai Stock Exchange. A summary of such financial information has been set forth in “*Summary Financial Information of the Bank*” in this Offering Circular.

The unaudited and unreviewed consolidated quarterly financial information of the Bank as at and for the three months ended 31 March 2025 have not been audited or reviewed by a certified public accountant, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. None of the Bank, the Group, the Arrangers, the Dealers or their respective directors, officers, employees, agents, affiliates or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such unaudited and unreviewed consolidated quarterly financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Bank’s financial condition and results of operations. In addition, the unaudited and unreviewed consolidated quarterly financial information of the Bank as at and for the three months ended 31 March 2025 should not be taken as an indication of the expected financial condition or results of operations of the Bank for the full financial year ending 31 December 2025.

Changes in the List of Directors, Supervisors and Senior Management Personnel of the Bank

Since 31 December 2024, there have been further changes in the list of directors, supervisors and senior management personnel of the Bank as disclosed on the website of the Shanghai Stock Exchange. For further details relating to the current list of directors, supervisors and senior management personnel of the Bank, please see “*Directors, Supervisors and Senior Management*” in this Offering Circular.

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Offering Circular have the same meanings in this summary.

Bank	Shanghai Pudong Development Bank Co., Ltd. (LEI: 300300C1031031001330).
Issuer	The Bank or, in respect of any Tranche of Notes issued by a Branch Issuer, such Branch Issuer as specified in the relevant Pricing Supplement.
Programme Size	Up to U.S.\$5,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Bank may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in the Notes issuable under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Bank, or, as the case may be, a Branch Issuer to fulfil its obligations in respect of the Notes, and risk factors that are material for the assessment of market risks associated with Notes issued under the Programme, are discussed under the section “ <i>Risk Factors</i> ” below.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Arrangers and Dealers	Citigroup Global Markets Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd. Singapore Branch and SPDB International Capital Limited. The Bank may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. In relation to a particular Tranche of Notes, the relevant Issuer may appoint additional dealers. References in this Offering Circular to “ Permanent Dealers ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “ Dealers ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Fiscal Agent and Calculation Agent...	The Bank of New York Mellon, London Branch.
Principal Registrar and Principal Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
CMU Lodging and Paying Agent, CMU Registrar and CMU Transfer Agent	The Bank of New York Mellon, Hong Kong Branch.
Calculation Agent	The Bank of New York Mellon, London Branch as appointed by the Bank or, as the case may be, the relevant Branch Issuer, in respect of a Series of Notes pursuant to the terms of the Agency Agreement or such other Person in each case as specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ Series ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their issue price), and intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ Tranche ”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Clearing Systems	Euroclear, Clearstream, the CMU operated by the HKMA and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, Fiscal Agent, the CMU Lodging and Paying Agent and the relevant Dealer(s).
Form of the Notes	Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> . No single Series or Tranche may comprise both Bearer Notes and Registered Notes. Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note, as specified in the applicable Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary for Clearstream and/or Euroclear and/or, in respect of CMU Notes, a sub-custodian for the CMU and/or, as the case

	may be, any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Global Note Certificates. Global Note Certificates representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear and Clearstream and/or, in respect of CMU Notes, a sub-custodian for the CMU, as operated by the HKMA.
Currencies	Notes may be denominated in any currency or currencies, agreed between the relevant Issuer and the relevant Dealer(s) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of the Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge	So long as any Note remains outstanding (as defined in the Agency Agreement), the Bank shall not, and the Bank shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

NDRC Post-issue Filing

Where the NDRC Measures applies to the Tranche of Notes to be issued, the Branch Issuer (acting through the Bank) or, as the case may be, the Bank undertakes to (i) file or cause to be filed with the NDRC the requisite information and documents within the relevant prescribed timeframes from time to time after the relevant Issue Date in accordance with the NDRC Measures; and (ii) comply with the NDRC Measures and other obligations required by the NDRC as it applies to such Tranche of Notes (the “**NDRC Post-issue Filing**”).

PBOC Post-issue Filing.....

Where the PBOC Circular applies to the Tranche of Notes to be issued, the Bank undertakes to provide or cause to be provided a notification of the requisite information and documents in connection with such Tranche of Notes to the PBOC and/or SAFE within the prescribed timeframe after the relevant Issue Date in accordance with the PBOC Circular (the “**PBOC Post-issue Filing**”).

The Bank shall complete the PBOC Post-issue Filing and obtain such document(s) evidencing due filing with the PBOC and/or SAFE within the prescribed timeframe (if any) and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Bank shall within 15 PRC Business Days after completion of such PBOC Post-issue Filing give notice to the Noteholders and Couponholders in accordance with Condition 20 (*Notices*).

NAFR Reporting

Where the NAFR Measures applies to the Tranche of Notes to be issued, the Bank undertakes to complete the reporting in connection with such Tranche of Notes to the NAFR (if applicable) within the prescribed timeframe after the relevant Issue Date in accordance with the NAFR Approval (the “**NAFR Reporting**”).

The Bank shall complete the NAFR Reporting and obtain such document(s) evidencing due reporting with the NAFR within the prescribed timeframe (if any) and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Bank shall within 15 PRC Business Days after completion of such NAFR Reporting give notice to the Noteholders and Couponholders in accordance with Condition 20 (*Notices*).

PBOC Reporting

Where the PBOC Service Guidance applies to the Tranche of Notes to be issued, the Bank undertakes to complete the reporting in connection with such Tranche of Notes to the PBOC (if applicable) within the prescribed timeframe after the relevant Issue Date in accordance with the PBOC Approval (the “**PBOC Reporting**”).

	The Bank shall complete the PBOC Reporting and obtain such document(s) evidencing due reporting with the PBOC within the prescribed timeframe (if any) and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Bank shall within 15 PRC Business Days after completion of such PBOC Reporting give notice to the Noteholders and Couponholders in accordance with Condition 20 (<i>Notices</i>).
Events of Default	Events of Default for the Notes are set out in Condition 14 (<i>Events of Default</i>).
Cross-acceleration	The Notes will contain a cross-acceleration provision as further described in Condition 14(c) (<i>Cross-acceleration of Bank or Subsidiary</i>).
Withholding Tax	All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Tax Jurisdiction or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.
Status of the Notes	The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Redemption	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement.
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement as described in Condition 10(c) (<i>Redemption at the option of the Issuer</i>) and/or the Noteholders to the extent (if at all) specified in Condition 10(e) (<i>Redemption at the option of Noteholders</i>).
Tax Redemption	Except as described in “<i>Optional Redemption</i>” above, early redemption will only be permitted for tax reasons as

Listing and Trading.....

described in Condition 10(b) (*Redemption for tax reasons*).

Application has been made to the HKSE for the listing of the Programme on the HKSE under which Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the HKSE.

Notes listed on the HKSE are required to have a denomination of at least HK\$500,000 (or its equivalent in other currencies).

Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. If the application to the SGX-ST to list a particular Series of Notes is approved, for so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least S\$200,000 (or its equivalent in other currencies).

Unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the HKSE or the SGX-ST or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

Governing Law

The Notes, the Deed of Covenant and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Deed of Covenant and the Agency Agreement are governed by English law.

Initial Delivery of the Notes.....

On or before the issue date for each Series, the Global Note representing Bearer Notes or the Global Note Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and/or Clearstream and/or, in respect of CMU Notes, deposited with a sub-custodian for the HKMA as operator of the CMU or deposited with a depositary or sub-custodian for any other clearing system or may be delivered outside any clearing system **provided** that the method of such delivery has been agreed in advance by the relevant Issuer, the Fiscal Agent, the CMU Lodging and Paying Agent, the Principal Registrar, the CMU Registrar and the relevant Dealers.

Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of a nominee for or the operator of, such clearing systems.

SUMMARY FINANCIAL INFORMATION OF THE BANK

The following tables set forth the summary consolidated financial information of the Bank as at and for the periods indicated.

The selected financial information presented below as at and for the years ended 31 December 2022, 2023 and 2024 was prepared in accordance with IFRS, and is extracted from the Group's 2023 Financial Statements and the Group's 2024 Financial Statements, both of which were audited by KPMG.

The selected financial information presented below as at and for the three months ended 31 March 2024 and 2025 was prepared in accordance with PRC GAAP, and is extracted from the Group's consolidated quarterly financial statements as at and for the three months ended 31 March 2025, which have not been audited or reviewed by KPMG or any other auditors. The quarterly financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or, as the case may be, a review. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operations.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Bank, including the notes thereto, included elsewhere in this Offering Circular.

SELECTED FINANCIAL INFORMATION

Summary of Consolidated Statements of Financial Position prepared in accordance with IFRS

	As at 31 December		
	2022	2023	2024
	(All amounts expressed in millions of RMB unless otherwise stated)		
Assets			
Cash and deposits with central bank	457,089	537,131	411,539
Deposits and placements with banks and other financial institutions	531,643	557,362	533,482
Precious metals.....	3,948	17,526	23,062
Derivative financial assets	42,829	56,311	89,590
Financial assets purchased under resale agreements	111,411	44,719	63,879
Loans and advances to customers.....	4,798,350	4,904,696	5,269,160
Financial investments			
– Financial investments at fair value through profit or loss	708,984	780,226	691,019
– Financial investments at amortized cost..	1,196,691	1,271,082	1,326,638
– Financial investments at fair value through other comprehensive income	649,788	624,747	791,467
Investments in associates and joint ventures....	2,655	2,825	1,807
Fixed assets.....	37,157	45,308	56,235
Construction in progress	5,250	1,982	1,272
Right-of-use assets.....	8,022	7,150	6,350
Intangible assets.....	10,349	9,767	9,584
Goodwill.....	6,981	5,351	5,351

	As at 31 December		
	2022	2023	2024
	<i>(All amounts expressed in millions of RMB unless otherwise stated)</i>		
Deferred tax assets.....	68,690	71,598	75,261
Other assets.....	64,814	69,466	106,184
Total Assets	8,704,651	9,007,247	9,461,880
Liabilities			
Borrowing from central bank.....	165,133	235,242	118,442
Deposits and placements from banks and other financial institutions	1,111,343	1,293,709	1,221,605
Financial liabilities at fair value through profit or loss	10,238	10,207	33,172
Derivative financial liabilities.....	37,526	52,293	78,575
Financial assets sold under repurchase agreements	350,168	519,784	505,962
Deposits from customers	4,893,812	5,060,344	5,229,282
Income tax payable.....	27,290	21,798	17,060
Debt securities issued	1,330,304	1,011,653	1,419,972
Deferred income tax liabilities.....	641	1,014	630
Lease liabilities.....	7,832	6,871	6,013
Provisions	6,230	7,753	7,810
Other liabilities	57,359	53,695	78,576
Total liabilities	7,997,876	8,274,363	8,717,099
Equity			
Share capital	29,352	29,352	29,352
Other equity instruments.....	112,691	112,691	82,701
Capital reserves.....	81,762	81,762	81,921
Surplus reserves.....	174,385	188,929	192,222
General risk reserves.....	99,515	101,575	106,696
Other reserves.....	(3,053)	2,107	13,036
Retained earnings	203,220	208,333	230,401
Equity attributable to shareholders of the Bank	697,872	724,749	736,329
Non-controlling interests	8,903	8,135	8,452
Total equity	706,775	732,884	744,781
Total liabilities and equity.....	8,704,651	9,007,247	9,461,880

Summary of Consolidated Statements of Comprehensive Income prepared in accordance with IFRS

	For the year ended 31 December		
	2022	2023	2024
	<i>(All amounts expressed in millions of RMB unless otherwise stated)</i>		
Interest income	299,520	297,598	288,125

	For the year ended 31 December		
	2022	2023	2024
<i>(All amounts expressed in millions of RMB unless otherwise stated)</i>			
Interest expense	(165,851)	(179,163)	(173,408)
Net interest income.....	133,669	118,435	114,717
Fee and commission income.....	37,766	32,035	29,788
Fee and commission expense.....	(9,075)	(7,582)	(6,972)
Net fee and commission income	28,691	24,453	22,816
Net trading gains.....	17,172	19,587	20,912
Net gains arising from financial investments...	5,313	7,122	7,451
Other net operating income.....	3,661	3,740	5,884
Operating expenses.....	(56,588)	(56,005)	(54,151)
Impairment losses	(75,999)	(76,863)	(69,480)
Net gains arising from associates and joint ventures	230	223	217
Profit before income tax	56,149	40,692	48,366
Income tax expense	(4,152)	(3,263)	(2,531)
Net profit	51,997	37,429	45,835
Net profit attributable to:			
– Shareholders of the Bank.....	51,171	36,702	45,257
– Minority interests	826	727	578
	51,997	37,429	45,835
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Other comprehensive income recognised under equity method	-	(1)	2
Changes in fair value of debt investments at fair value through other comprehensive income recognised	(8,145)	3,460	10,795
Credit impairment allowance of debt investments at fair value through other comprehensive income recognised	1,959	1,995	(954)
Cash flow hedge reserve.....	(2)	88	248
Exchange differences from the translation of foreign financial statements	376	179	74
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of equity instruments at fair value through other comprehensive income	(57)	(747)	878
Other comprehensive income, net of tax.....	(5,869)	4,974	11,043
Total comprehensive income	46,128	42,403	56,878

Summary of Consolidated Statement of Financial Position prepared in accordance with PRC GAAP

	As at 31 December 2024	As at 31 March 2025
	<i>(All amounts expressed in millions of RMB unless otherwise stated)</i>	
Assets		
Cash and balances with central bank	411,539	371,277
Deposits with banks and other financial institutions.....	113,772	78,649
Placements with banks and other financial institutions.....	419,710	456,664
Precious metals.....	23,062	26,588
Derivative financial assets	89,590	83,361
Financial assets purchased under resale agreements	63,879	99,752
Loans and advances to customers.....	5,269,160	5,455,517
Financial investments		
– Trading assets	691,019	657,882
– Debt investments	1,326,638	1,221,796
– Other debt investments	782,438	805,354
- Other equity investments	9,029	9,078
Long-term equity investments	1,807	1,844
Fixed assets.....	56,235	59,866
Construction in progress.....	1,272	1,285
Right-of-use assets.....	6,350	6,182
Intangible assets.....	9,584	9,300
Goodwill.....	5,351	5,351
Deferred income tax assets	75,261	81,131
Other assets.....	106,184	121,399
Total Assets	9,461,880	9,552,276
Liabilities		
Borrowing from central bank.....	118,442	86,103
Deposits from banks and other financial institutions	872,000	590,901
Placements from banks and other financial institutions	349,605	358,517
Trading liabilities.....	33,172	45,531
Derivative financial liabilities.....	78,575	67,112
Financial assets sold under repurchase agreements.....	505,962	543,143
Deposits from customers	5,229,282	5,548,089
Employee benefits payable	12,373	8,035
Taxes payable	20,535	26,800
Debt securities issued	1,419,972	1,449,969
Deferred income tax liabilities	630	626
Lease liabilities.....	6,013	5,863

	As at 31 December 2024	As at 31 March 2025
	<i>(All amounts expressed in millions of RMB unless otherwise stated)</i>	
Provisions	7,810	8,495
Other liabilities	62,728	57,463
Total liabilities	8,717,099	8,796,647
Equity		
Ordinary shares.....	29,352	29,352
Other equity instruments.....	82,701	82,701
Capital reserves.....	81,921	81,921
Other comprehensive income	13,036	6,995
Surplus reserves.....	192,222	192,222
General risk reserves.....	106,696	106,786
Retained earnings	230,401	247,188
Equity attributable to shareholders of the Bank	736,329	747,165
Minority interests.....	8,452	8,464
Total equity	744,781	755,629
Total liabilities and equity	9,461,880	9,552,276

Summary of Consolidated Statements of Comprehensive Income prepared in accordance with PRC GAAP

	For the three months ended 31 March	
	2024	2025
	<i>(All amounts expressed in millions of RMB unless otherwise stated)</i>	
Operating income	45,328	45,922
Interest income	73,421	67,302
Interest expense	(45,005)	(38,749)
Net interest income.....	28,416	28,553
Fee and commission income.....	8,310	8,312
Fee and commission expense.....	(1,673)	(1,677)
Net fee and commission income	6,637	6,635
Investment income.....	12,782	8,239
Other income	361	364
Gains or losses from change of fair value	(3,493)	(8)
Foreign exchange gains	(209)	959
Other operating income	812	1,180

	For the three months ended 31 March	
	2024	2025
<i>(All amounts expressed in millions of RMB unless otherwise stated)</i>		
Gains or losses on disposal of assets.....	22	-
Operating expense	(24,965)	(25,758)
Taxes and surcharges.....	(533)	(527)
General and administrative expenses.....	(11,261)	(11,290)
Impairment on credit losses	(12,746)	(13,421)
Impairment losses on other assets.....	(4)	(2)
Other operating expenses.....	(421)	(518)
Operating profit	20,363	20,164
Non-operating income	6	2
Non-operating expenses.....	(18)	(11)
Profit before income tax	20,351	20,155
Income tax expense	(2,691)	(2,379)
Net profit for the period	17,660	17,776
Other comprehensive income.....	1,691	(6,081)
Other comprehensive income attributes to shareholders of the parent company, after tax	1,555	(6,040)
<i>Items that may be reclassified to profit or loss</i>	1,555	(5,979)
– Changes in fair value of other debt investments	1,165	(6,192)
– Credit impairment allowance of other debt investments.....	304	290
– Cash flow hedge reserve.....	47	67
– Translation differences arising from translation of foreign currency financial statements	39	(144)
<i>Items that will not be reclassified to profit or loss</i>	-	(61)
– Changes in fair value of equity instruments at fair value through other comprehensive income	-	(61)
Other comprehensive income attributes to minority interests, after tax	64	(41)
Total comprehensive income.....	19,279	11,695
Net profit attributable to:		
– Shareholders of the Bank	17,421	17,598
– Minority interests	239	178
Total comprehensive income attributable to:		
– Shareholders of the Bank	18,976	11,558
– Minority interests	303	137
Earnings per share (Expressed in RMB)		
Basic earnings per share	0.57	0.57
Diluted earnings per share	0.52	0.52

RISK FACTORS

Investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Bank may be materially and adversely affected by any of these risks. The Bank believes the risks described below represent the principal risks inherent when considering an investment in the Notes. The risks described below are not the only ones relevant to the relevant Branch Issuer, the Bank or the Notes. Additional risks and uncertainties not presently known to the Bank, or which the Bank currently deems immaterial, may also have an adverse effect on an investment in the Notes.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE BANK'S BUSINESS

If the Bank is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of its loans, its financial condition and results of operations may be adversely affected.

A substantial portion of the loans offered by the Bank is secured by collateral. As at 31 December 2024, 34.45 per cent. and 4.86 per cent. of the loans offered by the Bank were secured by mortgages and pledges, respectively, and 22.96 per cent. were secured by guarantees. As at 31 December 2022, 2023 and 2024, the coverage ratio of the Bank's provisions for non-performing loans (representing the Bank's impaired loans as reflected in its consolidated financial statements) ("NPL") to the Bank's total NPLs were 159.04 per cent., 173.51 per cent. and 186.96 per cent., respectively. The amount of the Bank's allowances for impairment losses on loans is determined based on the Bank's assessment of factors that may affect the quality of the loans. These factors include, among others, the borrowers' financial conditions, the ability of the guarantors of the borrowers to fulfil their obligations, the performance of the PRC's economy, the government's macroeconomic policies, interest rates, exchange rates and the legal and regulatory environment. Most of these factors are beyond the Bank's control. The adequacy of the Bank's allowances for impairment losses depends on the reliability of, and the Bank's skills in applying, the Bank's assessment system to estimate these losses, as well as the Bank's ability to accurately collect, process and analyse relevant statistical data.

The Bank's loan collateral primarily includes real estate and other financial and non-financial assets located in the PRC, the value of which may fluctuate or decline due to factors beyond the Bank's control, including macroeconomic factors affecting the PRC economy. In particular, an economic slowdown in the PRC may lead to a downturn in the PRC real estate market, which may in turn result in declines in the value of the collateral securing many of the Bank's loans to levels below the outstanding principal balance of such loans. Any significant decline in the value of the collateral securing the Bank's loans may result in a reduction in the amount the Bank can recover from collateral realisation and an increase in its impairment losses.

In the PRC, the procedures for liquidating or otherwise realising the value of non-cash collateral may be protracted, and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for the Bank to take control of or liquidate the collateral securing NPLs. If the value of the Bank's collateral decreases to a level that is insufficient to cover the outstanding amounts for loans, or if the Bank is unable to realise the full value of the collateral and guarantees securing its loans on a timely basis, it may materially and adversely affect the Bank's asset quality, financial condition and results of operations. In addition, the procedures for liquidating or otherwise realising the value of collateral of borrowers in China may be protracted, and the enforcement process in China may be difficult. According to a judicial interpretation

issued by the Supreme Court of the PRC, effective from 21 November 2004 and amended in December 2008 and December 2020, the court may seal up the collateral necessary for the life of the borrower and his dependent family members, but shall not auction, sell or use it to pay a debt. As a result, it may be difficult and time-consuming for banks to take control of or liquidate the collateral securing NPLs. Furthermore, certain specified claims may enjoy priority over the Bank's rights on loan collaterals. According to the "PRC Enterprise Bankruptcy Law" promulgated on 27 August 2006 and effective as of 1 June 2007, claims raised by employees on arrears of pay as well as other fees and expenditures prior to 27 August 2006 for enterprises in bankruptcy proceedings shall be given priority over the Bank's rights to collateral, on the premise that other assets of the enterprise are not sufficient to fulfil such claims. Accordingly, if a borrower fails to repay and if the Bank is not able to timely realise the entire or sufficient part of the value of collateral, pledged assets or guarantees represented, the Bank's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank has granted loans to the real estate sector and any significant or extended downturn in or change in national policies towards the real estate sector may adversely affect the Bank's financial condition and results of operations.

As at 31 December 2022, 2023 and 2024, the corporate loans offered by the Bank represented 53.02 per cent., 56.62 per cent. and 58.97 per cent. of the total loans offered by the Bank, respectively. As at 31 December 2024, the corporate loans offered by the Bank to the real estate sector represented approximately 7.36 per cent of the total loans offered by the Bank. As at 31 December 2022, 2023 and 2024, the total amount of loans granted to the Bank's single largest customer accounted for 2.54 per cent., 3.05 per cent. and 2.99 per cent., respectively, of the Bank's net capital. The Bank's loans and advances to the real estate sector primarily comprise loans issued to real estate companies, including, among others, loans for real estate development, and land reservation loans issued to companies specialising in land reservation.

With respect to its real estate loans, the Bank follows strictly its credit risk management procedures, including ongoing credit monitoring of borrowers' financial information, and strictly enforcing repayment schedules. In addition, the Bank has strengthened the on-spot examination of key business fields such as real estate loans. The Bank has instructed its branches to strengthen research of regional and local real estate market conditions, adjust credit guidelines applicable to real estate loans and implement different credit limits to reflect different levels of risk for these loans.

The PRC real estate market is subject to volatility and property prices have experienced significant fluctuations in recent years. The PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating, such as setting minimum down payment requirements and minimum mortgage rates on residential housing purchases, imposing business taxes on the transfer of certain residential properties and levying mandatory personal income tax for second home sales. Such measures may adversely affect the growth of the Bank's loans related to real estate. In addition, if the real estate market in the PRC continues its downturn, the value of the real estate securing the Bank's loans may decrease, resulting in a reduction in the amount the Bank can recover on its loans in the event of default. This may in turn materially and adversely affect the Bank's asset quality, business, financial condition and results of operations.

Any deficiencies in the Bank's risk management and internal control system may adversely affect the Bank's financial condition and results of operations.

Financial and operational risks are inherent to the Bank's businesses. The Bank is required under relevant laws and regulations in the PRC to establish sound internal control policies and procedures with respect to its daily management and operation. Although systems and procedures are in place to identify and report on a timely

basis the liquidity, foreign exchange, interest rate, credit, management and operational risks arising from the activities of the Bank's existing and proposed businesses, there can be no assurance that these systems and procedures are able to effectively identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. In addition, the Bank cannot assure potential investors that its employees will be able to consistently comply with or correctly apply these policies and procedures. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions undertaken by the Bank to prevent and detect such activities may not be effective. The Bank may need to continue to improve its current, and implement new, policies and measures. There can be no assurance that misconduct will not occur in the future. In addition, many of the Bank's current systems have a significant manual component. There are additional risks inherent in any manual risk management system, including human error. The reliability of the systems and the information generated from them depends on, *inter alia*, the configuration and design of the systems, the built-in system control features and the internal control measures surrounding them. There can be no assurance that failure of the Bank's internal controls will not occur in future, which may cause a negative impact on the Bank.

The Bank has established its own relevant credit risk mechanism. Its mechanism involves detailed analysis of its borrowers' credit risk, taking into account both quantitative and qualitative factors. Therefore, the Bank may be exposed to risks associated with inaccurate assessments. The Bank's credit rating system is also limited by the information available to it and the credit history of its borrowers. The Bank may fail to identify potential risks relating to certain industries, including the real estate industry, and certain borrowers, including affiliated companies and group enterprises, on a timely basis given the resources and tools available to it. In addition, the Bank's employees may fail to enforce its credit policies and guidelines, such as monitoring loans after they are issued, which may increase the Bank's credit risk. If the Bank fails to effectively enforce or improve its credit risk management policies and guidelines, its business operations, financial results and reputation may be materially and adversely affected.

The Bank may be subject to litigation and regulatory investigations or proceedings and may not be successful in defending itself against such litigation, investigations or proceedings.

The Bank faces risks of lawsuits and arbitration claims in the ordinary course of its business. Most of these proceedings are initiated by the Bank to enforce loan recovery, as well as litigation and arbitration resulting from disputes with customers. The claims and charges may involve actual damages and contractually-agreed-upon liquidated sums. If a judgment or award is rendered against the Bank, it would incur a loss against earnings to the extent a reserve had not been established for the matter in its financial statements, or to the extent the claims were not sufficiently covered by the insurance coverage of the Bank. If claims brought against the Bank or by the Bank are not resolved or settled through negotiation or mediation, the Bank may be involved in lengthy and costly litigation or arbitration proceedings, which may distract the Bank's financial and managerial resources. Amounts ultimately realised from a particular project or other claims by the Bank could differ materially from the balances included in the financial statements, resulting in a loss against earnings of the Bank to the extent profit has already been accrued on such project or other contract. Charges and write-downs associated with claims brought against the Bank may have a material adverse impact on the financial condition, results of operations and cash flow of the Bank. Moreover, legal proceedings resulting in judgments or findings against the Bank may harm its reputation and damage its prospects for future contract awards and business.

The Bank may also be subject to inquiries, investigations and/or proceedings by regulatory and other governmental agencies in the ordinary course of its business. For example, in July 2022, four units of the Bank were fined a total of RMB4.7 million by the CBIRC and PBOC for issues including but not limited to, the inadequate management and implementation of its sales strategy and its failure to effectively reidentify customers and transacting with unidentified customers. Smaller penalties, on different branches of the Bank or branches' officers, have also been imposed by the CBIRC or its provincial offices, as well as by the PBOC, for

matters such as failure to comply with anti-money laundering background check requirements and non-compliance with requirements applicable to interbank deposits, security, failure to report audit findings to supervisory authorities and other administrative matters.

The Bank may not be able to timely detect or prevent fraud or other misconduct by its employees or third parties.

The Bank may be subject to fraud and other misconduct committed by its employees, customers or other third parties, which could adversely affect its business operations, financial results and reputation. Common weaknesses that facilitate fraud include inadequate segregation of duties, insufficient access controls and certain actions taken by employees which are not consistent with the Bank's internal control policies. Although the Bank has continuously sought to enhance management and supervision of its branches and/or branches' officers (including putting in place policies on employee conduct), as the branches have relatively significant autonomy in their operations and management within the scope of authorisation, the Bank cannot assure that it can always timely detect or prevent operational or management problems within its branches. While the Bank is implementing measures aimed at detecting and minimising employees' and third parties' misconduct and fraud, it may not always be able to timely detect or prevent such misconduct, and it may need to continue to improve its current, and implement new, policies and measures. If the Bank is unable to effectively manage and supervise its branches and subsidiaries, it may not be able to timely detect or prevent fraud or other misconduct of its employees or third parties, which may result in damage to its reputation and an adverse effect on its business, financial condition and results of operations arising from illegal actions taken or as a result of any negative publicity arising from such illegal actions by its current or past employees or by third parties. There have been previous incidences of such fraud or other misconduct of the branch employees which have led to investigations and conviction.

The Bank is subject to fluctuations in interest rates and currency exchange rates and other market risks.

The Bank's results of operations significantly depend on its net interest income, which represented 70.87 per cent., 68.29 per cent. and 67.18 per cent. of the Bank's operating income for the years ended 31 December 2022, 2023 and 2024, respectively. Fluctuations in interest rates could adversely affect the Bank's financial condition and results of operations in different ways. In addition, adjustments made by the PBOC to the benchmark interest rates on loans or deposits, or any changes in market interest rates, may negatively impact the Bank's financial condition and results of operations. For example, changes in the PBOC benchmark interest rates could affect the average yield on the Bank's interest-earning assets and the average cost on the Bank's interest-bearing liabilities to different extents and may narrow the Bank's net interest margin, leading to a reduction in the Bank's net interest income. In addition, an increase in interest rates for loans could result in increases in the financing costs of the Bank's customers, reduce overall demand for loans and increase the risk of customer default, while a reduction in interest rates for deposits could cause the Bank's depositors to withdraw their funds from the Bank. Moreover, the PRC government has gradually liberalised the regulation of interest rates in recent years. The upper limit of the interest rate floating range for RMB-denominated deposits was removed by the PBOC on 24 October 2015. On the other hand, the PBOC continues to liberalise the restrictions on interest rates for loans. For example, on 20 July 2013, the PBOC eliminated the minimum interest rate requirements for RMB-denominated loans. Further liberalisation may result in greater interest rate volatility as well as intensified competition, both in deposit and lending businesses. Such competition could result in an increase in cost of funds and a decrease in pricing on loans, which in turn could lead to a decrease in the Bank's net interest income. In addition, despite the liberalisation of interest rate regulation which allows the Bank to charge different interest rates to borrowers with different credit ratings, the Bank may not be able to benefit from such liberalisation because it takes time for the Bank to change its lending practice and culture. Certain portion of the Bank's outstanding interest-earning assets and interest-bearing liabilities are denominated in

foreign currencies. As a result, the Bank's financial condition and results of operations are also affected by fluctuations in the interest rates associated with these foreign currencies.

The Bank acts primarily as an intermediary in domestic and international foreign exchange and derivative markets, and it currently has exchange rate contracts, interest rate contracts and commodity derivatives contracts with a number of domestic and international banks, financial institutions and other entities. As a result, the Bank is subject to credit risk from the Bank's various counterparties. As at 31 December 2024, the notional amount of the Bank's outstanding derivative financial instruments amounted to RMB9,517,580 million, and the fair value of the Bank's outstanding derivative assets and liabilities amounted to RMB89,590 million and RMB78,575 million, respectively. Although the Bank cautiously evaluates the credit risks from the Bank's counterparties in the derivative transactions and believes that the overall credit quality of its counterparties is adequate, there can be no assurance that parties with significant risk exposure will not have difficulty in fulfilling derivative contracts that may cause losses for the Bank.

The Bank also engages in foreign exchange transactions and derives an amount of its income in foreign currencies. The Bank's overseas operations also require capital in foreign currencies. The Bank tries to minimise its foreign currency mismatch by managing the source and use of capital in foreign currencies. The Bank's ability to manage its foreign currency exposure is constrained by the limited market risk management and hedging tools available to it and the fact that Renminbi is yet to be freely convertible. To the extent the Bank's foreign currency-denominated assets and liabilities are not matched in the same currency or appropriately hedged, fluctuations in foreign currency exchange rates against Renminbi may adversely affect the Bank's financial condition, including its capital adequacy ratios. Fluctuations in foreign exchange rates may create foreign currency translation gains or losses.

A number of factors could potentially affect the PRC overall economy. The PRC economy could also be impacted by past or future global financial crises and the tightening of the global credit markets, which have in the past and may once again result in extreme volatility and dislocation of the global capital markets. Continued market uncertainties may also lead to more volatility in interest and foreign currency exchange rates. There can be no assurance that the Bank's business, financial condition and results of operations will not be materially and adversely affected by liquidity shortages and credit market disruptions as a result of events impacting the global economy, global markets and the PRC economy. For further details, please see *"Risks relating to the Global Economy and the PRC Economy – The uncertainties in the global economy, the global financial markets and, in particular, in the PRC and in the industries in which the Bank's loans are concentrated could materially and adversely affect the financial condition and results of operations of the Bank"*.

There are operational risks associated with the Bank's industry which, if realised, may have an adverse impact on its business.

Like all other financial institutions, the Bank is exposed to many types of operational risks, including the risk of fraud, unauthorised transactions or other misconduct by employees (including the violation of regulations for the prevention of corrupt practices, and other regulations governing the Bank's business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. The Bank is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to it (or will be subject to the same risk of fraud or operational errors by their employees). Moreover, the Bank is exposed to the risk that its (or its vendors') business continuity and data security systems prove to be insufficient in case of a system failure or natural disaster.

Given the Bank's high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, the Bank's dependence upon automated systems to record and process transactions may further increase the risk of technical system flaws or employee tampering or manipulation of those systems that will result in losses that may be difficult to detect. The Bank may also be

subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to it. The Bank also faces the risk that the design of its controls and procedures may prove inadequate or are circumvented, thereby causing delays in detection of errors in information. Although, like all banks, the Bank maintains a system of controls designed to reduce operational risks to a reasonably low level, the Bank has suffered losses from operational risks and there can be no assurance that the Bank will not suffer material losses from operational risks in the future. The Bank's reputation could be adversely affected by the occurrence of any such events involving its employees, customers or third parties. In addition to internal factors that may affect the Bank's operations, the rapid growth and expansion of its business in recent years as compared to other banks may have also resulted in increasing complexity in its internal and external control systems and risk management measures, which may add to its operational risks.

The Bank or the Bank's customers may engage in certain transactions in or with countries or persons that are the subject of U.S. and other sanctions.

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. Other governments and international or regional organisations also administer similar economic sanctions. While the Bank is not currently engaged in any of these activities, if any of the Bank or its customers engages in any prohibited transactions by any means, or if it is otherwise determined that any of the Bank's transactions violated OFAC administered or other sanctions regulations, the Bank could be subject to penalties, and the Bank's reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect the Bank's business, financial condition and results of operations.

The Bank may not manage risks associated with the replacement of benchmark indices effectively.

The Financial Stability Board has observed that the decline in interbank short-term unsecured funding poses structural risks for interest rate benchmarks that reference these markets. In response, regulators and central banks in various jurisdictions have convened national working groups ("NWGs") to identify alternative replacement 'risk-free' rates ("RFRs") for these interbank offered rates ("IBORs") and, where appropriate, to make recommendations that would facilitate an orderly transition to these RFRs.

Following the United Kingdom Financial Conduct Authority ("FCA") announcement on 27 July 2017 where FCA announced that it would no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021, the national working groups for the impacted currencies were tasked with providing guidance and support to financial and non-financial firms to help them facilitate an orderly transition of the relevant LIBORs to their chosen RFRs. The transition away from LIBOR has been completed as of September 2024.

The discontinuation of certain key IBORs such as LIBOR, the adoption of RFRs by the market, and the development of RFR products by the Bank, introduce a number of risks for the Bank, its clients, and the financial services industry. In particular, as products linked to RFRs are relatively new in the market, market

conventions and practices for RFRs have a limited history and may continue to evolve over time, potentially resulting in additional risks and liabilities for the Group.

For further details relating to the discontinuation of IBORs and the development of risk free rates, please see *“Risk relating to the structure of a particular issue of notes - Certain benchmark rates, including EURIBOR and HIBOR, may be discontinued or reformed in the future”* and *“- Risk-free rates may differ from LIBOR and other inter-bank offered rates in a number of material respects and have a limited history”*. If any of these risks materialise, it could have a material adverse effect on the Bank’s business, financial condition, results of operations, prospects and customers.

The Bank’s expanding range of products and services exposes it to new risks.

The Bank has been expanding and intends to continue to expand the range of its products and services. Expansion of its business activities and product range exposes the Bank to a number of risks and challenges, including the following:

- the Bank may not have sufficient experience or expertise in certain new products and services and may not compete effectively in these areas;
- the new products and services may not be accepted by the Bank’s customers or meet its expectations for profitability;
- the new products and services may give rise to potential disputes or claims from customers;
- the Bank may not be able to hire or retrain personnel who are able to conduct new business activities;
- the Bank may fail to obtain regulatory approval for its new products or services; and
- the Bank may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services.

If the Bank is unable to achieve the intended results from the expansion of its range of products and services, its business, financial condition and results of operations may be materially and adversely affected. In addition, if the Bank fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, the Bank may fail to maintain its market share or lose some of its existing customers.

The Bank is subject to credit and funding risks with respect to certain off-balance sheet commitments.

In the normal course of its business, the Bank makes commitments and guarantees which are not reflected as liabilities on its balance sheet, including commitments, certain guarantees and letters of credit relating to the performance of its customers. The Bank is subject to the credit risk of its customers as a result of these off-balance sheet undertakings. Over time, the creditworthiness of the Bank’s customers may deteriorate and the Bank may be called upon to fulfil its commitments and guarantees in case any of its customers fail to perform their obligations owed to third parties. If the Bank is unable to obtain payment or other indemnification from its customers in respect of these commitments and guarantees, its business, financial condition and results of operations may be adversely affected.

The Bank may not be able to maintain the growth of its loan portfolio.

The growth of the Bank’s loan portfolio may be affected by various factors, such as the PRC’s macroeconomic policies and capital constraints. In the future, the growth rate of the Bank’s loan portfolio may slow down, or the balance of the Bank’s loan portfolio may even decline. In addition, in response to constraints on the Bank’s regulatory capital, the Bank may adopt strategies to reduce the Bank’s reliance on its loan portfolio and expand its activities in other businesses that require relatively lower capital. Any of the foregoing factors could impact

the growth of the loan portfolio and thereby materially affect the Bank's business, financial condition and results of operations.

The Bank may not be able to maintain the growth rate of its retail banking business.

As one of the leading commercial banks in the PRC, the Bank may not be able to maintain its competitive position or sustain its growth rate due to increasing market saturation and competition, changes in government regulations in the banking industry in the PRC and other factors, any of which may adversely affect its business, financial condition and results of operations.

For example, on 23 February 2013, the State Council promulgated the Notice of the General Office of the State Council on Continuing Regulation and Control of Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which requires banking institutions to implement differentiated housing credit policies, further implement the policy of down payment ratio and mortgage rate for first time house buyers and tighten the credit policies for buyers for second or additional homes, and imposes a personal income tax on the profit generated from sale of residential property. Such measures may slow down the development of the residential real estate market in the PRC, hinder the increase in residential mortgages and reduce the average amount of residential mortgages, and thus have a material adverse impact on the Bank's retail banking business. On 29 September 2014, the PBOC and the China Banking Regulatory Commission (the "CBRC", later known as the CBIRC, which has been replaced by the NAFR since May 2023) jointly promulgated the Notice on Further Improving Financial Services for Housing (關於進一步做好住房金融服務工作通知), which allows households owning only one residential property and having paid all mortgages on such property to enjoy the benefit of first-time home buyers under certain circumstances. Since August 2023, the Ministry of Housing and Urban-Rural Development ("MOHURD"), PBOC, and NAFR have promulgated a series of relaxation policies, including the Notice on Optimising the Criteria for Determining the Number of Housing Units in Individual Housing Loans (住房城鄉建設部、中國人民銀行、金融監管總局關於優化個人住房貸款中住房套數認定標準的通知) and the Notice on Adjusting and Optimising the Differential Housing Credit Policy (中國人民銀行、國家金融監督管理總局關於調整優化差別化住房信貸政策的通知). These policies have expanded the scope of buyers who qualify for first-time mortgage rates and reduced mortgage rates on existing first-home loans. Notwithstanding such relaxation policies, the PRC government has not abandoned its position that real estate should serve residential purposes instead of speculative investment and as a result, it remains uncertain as to whether the latest relaxation policies, which are subject to further change and implementation by banks in the PRC, will alleviate the slowdown in the PRC's residential market and improve the performance of our retail banking business.

The rapid expansion of the Bank's retail banking business also increases its exposure to changes in economic conditions affecting Chinese consumers. For example, a slowdown in the PRC's economic development could adversely affect the ability of retail borrowers and credit card holders to make payments, thereby increasing the probability of defaults and reducing the demand for retail loans and credit cards. Such a slowdown may also reduce the demand for the Bank's non-interest-based products and services, which could result in a reduction in, among others, the Bank's credit card transaction volumes and sales of investment products. Accordingly, economic difficulties in the PRC that have a material adverse effect on PRC consumers could materially and adversely affect the bank's business, financial condition and results of operations. For further details, please see *"Risks relating to the Global Economy and the PRC Economy – The uncertainties in the global economy, the global financial markets and, in particular, in the PRC and in the industries in which the Bank's loans are concentrated could materially and adversely affect the financial condition and results of operations of the Bank"*.

The Bank is subject to the supervision and inspection of regulators in jurisdictions where it operates.

The Bank is subject to supervision and inspection by the PRC's regulatory institutions, including the Ministry of Finance ("MOF"), the PBOC, the NAFR, the CSRC, the State Administration of Taxation ("SAT"), the State Administration of Industry & Commerce, the SAFE and the National Audit Office.

Furthermore, the Bank is also subject to inspection and supervision of regulatory institutions in locations where it operates and the Bank's branches and sub-branches must follow local laws, regulations and regulatory requirements of relevant local regulatory institutions. For example, the Hong Kong Branch is subject to supervision and inspection by the Hong Kong regulatory authorities, including the HKMA and the SFC. The Bank and its subsidiaries, as well as directors, officers or employees, have been subject to regulatory censure as may be announced by the Bank from time to time and there can be no assurance that the Bank's branches and sub-branches will be able to meet the applicable laws and regulatory requirements at all times. Any failure of the Bank to meet these requirements may result in fines, penalties or sanctions which may materially and adversely affect the Bank's operations, reputation, business, financial position and results of operations. For further details, please see *"Risks relating to the Banks' Business – The Bank may be subject to litigation and regulatory investigations or proceedings and may not be successful in defending itself against such litigation, investigations or proceedings"*.

The Bank is subject to risks associated with its derivative transactions and investment securities.

The Bank enters into derivative transactions primarily for trading, asset and liability management, and on behalf of its customers. There are, among others, credit, market and operational risks associated with these transactions. In addition, despite the relatively well-developed market practice and documentation for derivative transactions in the international financial markets, the PRC's derivative transactions system still remains in its early development stage and the PRC courts have limited experience in dealing with issues related to derivative transactions. This may further increase the risks associated with these transactions. As at 31 December 2024, the notional amount of the Bank's outstanding derivative financial instruments amounted to RMB9,517,580 million, and the fair value of the Bank's outstanding derivative assets and liabilities amounted to RMB89,590 million and RMB78,575 million, respectively. In addition, the Bank's ability to adequately monitor, analyse and report these derivative transactions is subject to the development of the Bank's information technology system. As a result, the Bank's financial condition and results of operations may be adversely affected by these derivative transactions.

The Bank may, from time to time, invest in securities including bonds, debentures or other financial instruments, both domestically issued in the PRC and offshore. Such investments are subject to credit, market, liquidity and other types of risks associated with such investments.

The Bank will continue to closely follow the developments in the international financial markets and assess impairment allowances on related assets in a prudent manner.

Any non-performance or default by the issuer of such securities or volatility of the markets or liquidity of the markets in which the relevant securities are traded may have an adverse effect on the Bank's financial condition and results of operations.

The Bank's liquidity may be adversely affected if it fails to maintain its deposit growth or if there is a significant decrease in its deposits.

Most of the funding requirements of the Bank's commercial banking operations are met through short-term funding, principally in the form of deposits, including customer and inter-bank deposits. While the Bank's short-term customer deposits have been a stable and predictable source of funding, there can be no assurance that the Bank will always be able to rely on this source of funding. If the Bank fails to maintain its deposit growth or if there is a significant decrease in its deposits, the Bank's liquidity position, business, financial condition and

results of operations may be materially and adversely affected. Should any of these events occur, the Bank may need to seek more expensive sources of funding to meet its funding requirements.

In addition, the Bank may experience shortages of cash flow from time to time as a result of mismatches between the maturity of its income-generating assets and the maturity of its debts or funding needs. If the mismatches between the maturity of its assets and the maturity of its debts or funding needs widen significantly, the Bank's liquidity position could be materially and adversely affected. There can be no assurance that the Bank will be able to obtain additional capital source or financing based on acceptable terms or at all. The Bank may need to seek alternative sources of short-term or long-term funding to finance its operations, which may be more expensive than existing deposits. Furthermore, the Bank's ability to obtain additional funds may also be affected by other factors, including factors beyond the Bank's control, such as the deterioration of overall market conditions, disturbances to the financial markets or a downturn in the industries where it has substantial credit exposure. All of these factors may result in significant adverse effects on the Bank's liquidity, business, financial position and results of operations. See also "*Risks Relating to the PRC Banking Industry*" for additional information relating to the PRC banking regulatory regime.

The PRC regulators have implemented measures relating to lending to small and medium enterprises ("SMEs") and the Bank may be subject to future regulatory changes.

The CBRC (now the NAFR) has promulgated a series of measures, including the Guidance on Issues Relevant to Establishing Special Agencies for Small Business Lending by Banks (關於銀行建立小企業金融服務專營機構的指導意見) and Notice on Further Supporting Commercial Banks' Improvement of Financial Services to Small Enterprises (關於支持商業銀行進一步改進小企業金融服務的通知), to encourage banking institutions to implement the PRC government's macroeconomic policies, and, in particular, to proactively support continued healthy economic growth by increasing lending activities to SMEs while effectively controlling risk.

SMEs are more vulnerable to fluctuation in the macro-economy as compared to large enterprises due to relatively limited capital, management or other resources required to cope with the adverse impact of major economic or regulatory changes. In addition, SMEs may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may be significantly increased if its SME clients are affected by economic or regulatory changes, which could materially and adversely affect the Bank's business, results of operations and financial condition.

There can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular, those relating to lending to SMEs, will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations.

The Bank's loan classification may be different in certain respects from those applicable to banks in certain other countries or regions.

The Bank classifies its loans as "pass", "special-mention", "substandard", "doubtful" and "loss" by using the five-category classification system according to the requirements of the NAFR. Its five-category classification system may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, it may reflect a different degree of risk than what would be reported if the Bank were incorporated in those countries or regions.

The Bank may not be able to detect money laundering and other illegal or improper activities, which could expose it to additional liability and harm its business.

The Bank is required to comply with applicable anti-money laundering laws, anti-terrorism laws and other regulations in the PRC and other jurisdictions in which it has operations. These laws and regulations require

the Bank to, among others, adopt and enforce “know your customer” policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. The Bank has implemented an anti-money laundering system in accordance with the PRC Law on Anti-money Laundering and other relevant rules and regulations of the PRC government supervisory bodies.

If the Bank fails to fully comply with the applicable anti-money laundering laws and regulations, the relevant government supervisory bodies have the power and authority to impose fines and other penalties on it. While the Bank has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities or by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where the Bank may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent the Bank may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom the Bank reports have the power and authority to impose fines and other penalties on the Bank, which may materially and adversely affect the Bank’s reputation, business, financial condition and results of operation. For instance, in October 2020, the Bank’s Shijiazhuang Branch received a penalty notice from PBOC for its failure to comply with anti-money laundering background check requirements and it was fined RMB1 million.

The Bank’s business is highly dependent on the proper functioning and improvement of its information technology systems as well as the integration of new emerging technologies.

The Bank is highly dependent on the ability of its information technology systems to accurately process a large number of transactions across numerous and diverse markets and products in a timely manner. The proper functioning of the Bank’s financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks among the Bank’s various branches and sub-branches and its main data processing centres, are critical to the Bank’s business operations and its ability to compete effectively. By integrating new emerging technologies such as artificial intelligence (“AI”), the Banks aims to enhance the efficiency and security of its operations. The Bank maintains backup data for key data processing systems and has established a disaster recovery centre to maintain principal functions in the event of a catastrophe or a failure of the Bank’s primary systems. However, the Bank’s operations may be materially disrupted if there is a partial or complete failure of any of these primary information technology systems or communications networks. Such failures could be caused by, among others, software bugs, computer viruses, attacks by computer hackers or conversion errors due to system upgrading. Any failure or delay in recording or processing the Bank’s transaction data could expose the Bank to significant financial risk and subject the Bank to the risk of claims for losses and regulatory fines and penalties.

In particular, the secure transmission of confidential information is critical to the Bank’s operations. The Bank’s networks and systems may be vulnerable to unauthorised access and other security problems. There can be no assurance that the Bank’s existing security measures will prevent unforeseeable security loopholes, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent the Bank’s security measures could use the Bank’s or the Bank’s clients’ confidential information illegally. Any material security loopholes or other disruptions could expose the Bank to risk of loss or regulatory actions, which may in turn harm the Bank’s reputation or results of operations.

The Bank’s ability to remain competitive will depend in part on its ability to upgrade its information technology systems on a timely and cost-effective basis and its capacity to adopt new emerging technologies such as AI to enhance customer services. In addition, the information available to and received by the Bank through its existing information technology systems may not be timely or sufficient enough for it to manage risks and plan for, and respond to, market changes and other developments in its current operating environment. As a result, the Bank is making and intends to continue making investments to improve or upgrade its information technology systems and integrating AI to optimise operations and deliver personalised experiences. Any

substantial failure to improve or upgrade its information technology systems effectively or on a timely basis or lag in utilising AI could materially and adversely affect the Bank's competitiveness, business, financial condition and results of operations.

Internet banking services involve risks of security breaches.

Internet banking activities involve the electronic storage and transmission of confidential information, which are vulnerable to unauthorised access, computer viruses and other disruptions. These possible security breaches could expose the Bank to liability and damage its reputation. Costs incurred in rectifying security breaches may be high and may materially and adversely affect the Bank's business, financial condition and results of operations. Rectifying security breaches may also result in interruptions, delays or termination of service to users accessing the Bank's internet banking services. Undetected defects in software products that the Bank uses in providing its internet banking services and the Bank's inability to sustain a high volume of internet traffic may have a material and adverse effect on the Bank's internet banking business. For further details relating to the information technology risks faced by the Bank, please see the above paragraph titled "*The Bank's business is highly dependent on the proper functioning and improvement of its information technology systems*".

If the Bank is unable to effectively control the non-performing loan ratio and assets quality, its financial condition and results of operations may be adversely affected.

As at 31 December 2022, 2023 and 2024, the Bank's NPL were RMB74.62 billion, RMB74.20 billion and RMB73.15 billion, respectively, representing an NPL ratio of 1.52 per cent., 1.48 per cent. and 1.36 per cent., respectively. The Bank's NPL ratio may increase in the future for a variety of reasons, including factors which are beyond the Bank's control, such as a slowdown in economic growth and other adverse macroeconomic trends in the PRC or a deterioration in the financial condition or results of operations of the Bank's borrowers, which could impair the ability of the Bank's borrowers to service their debt. For example, the Bank's SMEs customers may be particularly sensitive and vulnerable to the impact of certain events such as natural disasters and economic slowdown. There can be no assurance that the Bank will be able to maintain or lower its current NPL ratio in the future or that the quality of its existing or future loans and advances to borrowers will not deteriorate. As a result of the PRC government's economic stimulus programs, many PRC banks, including the Bank, experienced high growth in their loan balances in the past. This increase in bank loans may lead to elevated impaired loan ratios and loan loss provisions as well as increasing strain on the Bank's risk management resources, which may affect the quality of its loan portfolio.

The Bank's NPL ratio is affected by various factors, including the quality of the Bank's loan portfolio, the Bank's borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral, the extent of any guarantees, the industry in which the borrower operates in, as well as general economic and business conditions. Many of these factors are beyond the Bank's control.

The Bank is subject to certain operational requirements as well as guidelines set by the PRC banking regulatory authorities, such as maintaining a satisfactory loan-to-deposit ratio and a capital adequacy ratio.

The Bank is subject to certain operational requirements and guidelines set by the PRC banking regulatory authorities, such as the NAFR. There can be no assurance that the Bank will be able to meet these operational requirements and guidelines in the future at all times, or that no fines or sanctions will be imposed on the Bank in the future if it fails to do so. If fines or sanctions are imposed on the Bank for breaches of these or other operational requirements and guidelines, the Bank's business, financial condition and results of operations may be materially and adversely affected.

The Group may not be able to satisfy the capital adequacy requirements established by the NAFR.

The Group is subject to capital adequacy guidelines set by the NAFR. On 7 June 2012, the CBRC (now the NAFR) promulgated the Measures on Capital Management of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)) (the “**Capital Management Rules**”) based on the reform of the banking industry and the existing regulatory framework of the PRC. The Capital Management Rules establish a unified regulatory system in respect of the capital adequacy ratio, clarify the definition of capital, expand the range of capital risk coverage, raise the bottom line for the capital adequacy ratio and set a six-year transition period (from 2013 to 2018) for banks to comply with capital adequacy ratio requirements. On 30 November 2012, the CBRC issued the Notice on Matters in relation to the Implementation of Transition Period Arrangements regarding the Measures on Capital Management of Commercial Banks (Trial) (中國銀監會關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), which provides the regulatory standards and implementation course for the transition period. On 26 October 2023, the NAFR promulgated the Measures on Capital Management of Commercial Banks (商業銀行資本管理辦法) (the “**New Capital Management Rules**”) which became effective from 1 January 2024. As a result, the Bank is required to maintain a minimum core tier one capital adequacy of five per cent., a minimum tier one capital adequacy of six per cent. and a minimum capital adequacy of eight per cent. In addition, the Bank was recognised as a systemically important bank in China by the PBOC and NAFR for the third consecutive year in 2023. Each domestic systemically important bank is required to maintain a further capital surcharge above prevailing capital adequacy requirements as separately stipulated by the PBOC in conjunction with the NAFR. NAFR may further increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios, or the Group may otherwise be subject to new capital adequacy requirements or new capital measurement approaches, such as advanced capital measurement approach. The Group’s inability to maintain these capital adequacy ratios may result in the NAFR taking corrective measures against the Group, including restricting its ability to distribute cash dividends and/or open new branches, which may affect the Group’s business expansion or otherwise materially and adversely affect its business.

The Group’s capital adequacy could be negatively affected by deterioration in the Group’s financial condition, including an increase in the level of its impaired loans, or if its growth places capital demands in excess of what the Group is able to generate internally or raise in the capital markets or through alternative means. As at 31 December 2024, the Group’s capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio were 13.19 per cent., 10.04 per cent. and 8.92 per cent., respectively, which were in compliance with the relevant PRC laws and regulations.

Moreover, the Group has increased amount of credit loans to support development of national real economy, which resulted in the growth of risk-weighted assets from RMB6,667,213 million as at 31 December 2023 to RMB7,192,017 million as at 31 December 2024. There is no assurance that the Group’s capital will not be affected in the future by developments that will prevent the Group from satisfying the current capital adequacy requirements, including but not limited to:

- continued increase of its risk-weighted assets as a result of the rapid expansion of its business;
- its inability to timely supplement or increase the Group’s capital;
- losses resulting from deterioration in asset quality;
- changes in accounting rules or in the guidelines regarding the calculation of the capital adequacy ratios of commercial banks; and
- changes in definition of systemically important banks by the relevant regulator which may affect minimum capital adequacy requirements that the Group should satisfy.

Furthermore, the Group's ability to raise additional capital in the future may be limited by numerous factors, including but not limited to:

- its future financial condition, results of operations and cash flows;
- conditions prescribed by PRC law and regulatory approvals;
- its credit rating;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- domestic and international economic, political and other conditions.

As at the date of the Offering Circular, the Group has RMB80 billion of Tier 2 capital bonds in issue and has issued RMB50 billion in perpetual bonds in the onshore market. The Group also issues financial bonds from time to time to supplement its capital in accordance with applicable laws and regulatory approval. If the Group requires additional capital in the future, the Group may not be able to obtain such capital in a timely manner or at all. The Group may face difficulties in meeting these requirements in the future. If the Group is unable to meet the capital adequacy requirements for any reason, such as its inability to secure additional capital or an increase to the capital adequacy requirements by the relevant regulator, such regulator may take corrective measures against the Group. These measures could materially and adversely affect the Group's reputation, financial condition and results of operations.

Failure by the Bank to meet its environmental, social and governance (“ESG”) or corporate social responsibility (“CSR”) goals may have an adverse effect on the Bank's performance.

The Bank takes its corporate social responsibilities seriously and seeks to serve the public, promote the people's livelihoods, and become a time-honoured bank. Committed to establishing a high-level ESG management system, the Bank constantly improved its ESG governance structure, strengthened the implementation of ESG philosophies and innovated ESG practices to fully integrate ESG into corporate governance and operation management, so as to continuously improve the level of ESG management. As one of the first Chinese commercial banks proposing comprehensive green finance services, the Bank has built up a complete system of professional green finance products in recent years. The Bank has committed to serving the national strategy of “carbon peaking and carbon neutrality”, and continued to make its asset and liability structure, product and service models, and corporate culture go green. With the constantly enhanced business processes, management policies, and information disclosure mechanisms, the Bank could provide financial support for economic activities aimed at environmental improvement, climate change response and efficient use of resources. Meanwhile, the Bank has been actively exploring ways to become a “bank of net zero” in terms of operation and asset portfolio.

Any failure by the Bank to meet any of the strategies, goals, processes and standards mentioned above, or any failure by the Bank to satisfy investor or other stakeholder expectations or standards in the execution of its ESG and/or CSR strategies, may affect the Bank's current and future business performance, results of operations and reputation. These may in turn negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

RISKS RELATING TO THE GLOBAL ECONOMY AND THE PRC ECONOMY

The uncertainties in the global economy, the global financial markets and, in particular, in the PRC and in the industries in which the Bank's loans are concentrated could materially and adversely affect the financial condition and results of operations of the Bank.

The Group has been, and in the future will continue to be, materially affected by geo-political, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation, and the availability and cost of capital and credit.

Global economic fluctuations have had significant impacts on the global economy and on the Group. Since 2020, the general economic outlook in major economies such as Europe, the United States, Japan, and the PRC has remained challenging due to lower global economic growth prospects, higher government fiscal deficits and public debt, and continued inflationary pressure. In particular, the latest escalating trade dispute in 2025 between the United States and other major economies could result in significant adverse impacts, including a slowdown in global economic growth, higher inflation, reduced trade flows and business investment, and downside risks for equity, bond, and commodity prices. Moreover, the ongoing political gridlock in the United States about government spending and debt levels, the conflict between Russia and Ukraine, the effective economic sanctions on Russia, geopolitical tensions and conflicts in various countries in the Middle East including the Israeli-Palestinian conflict, and the impact of climate risks due to global warming may also result in additional adverse impacts on the global economy and markets, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The outlook for the world economy and financial markets remains uncertain due to geopolitical uncertainty. Tensions between Russia, the U.S. and a number of European states have heightened significantly as a result of Russia-Ukraine geopolitical conflicts. Although the Bank's exposure to the region is limited, the current crisis has the potential to escalate further and this could result in elevated geopolitical instability, trade restrictions, disruptions to global supply chains, increases in energy prices with knock-on global inflationary impacts, and a potential downturn in the global economy. The European Union (the "EU"), the United Kingdom (the "UK") and the United States, in a coordinated effort joined by several other countries, imposed a variety of sanctions with respect to certain regions of Ukraine, Russia and various Russia-related parties. The geopolitical dynamic, the regulatory complexity across multiple jurisdictions and the rapid pace of change have created a volatile situation that may have an impact on the Bank's business and operations. Moreover, the conflict in Israel and Gaza that commenced in October 2023 have increased the risk of destabilisation of the Middle East region, which lead to further military conflicts between Israel and Iran, and the situation remains highly volatile and uncertain which may have further implications for the global economy, in particular with respect to oil and energy prices. Furthermore, the steep rise in global inflation engendered by the rise in commodity prices, and by previous monetary and fiscal policy loosening in response to the COVID-19 pandemic, prompted global central banks to raise their policy rates sharply. Although certain global central banks have recently decided to lower policy rates based on an updated assessment of the inflation outlook, there is no guarantee that further increases won't occur, which may create further challenges for the Bank's customers. Headline inflation is in the process of abating as energy prices moderate, but underlying prices pressures are likely to remain in place. Such geopolitical risks may have a material adverse impact on macroeconomic factors which affect the Bank's business, financial condition and results of operations. The continuing tensions between the PRC and the United States, including ongoing trade disputes and deterioration in diplomatic relations, have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. Some of these tensions have manifested themselves through actions taken and sanctions imposed by the governments of the United States and the PRC in recent years. The United States has imposed a range of sanctions and trade restrictions to target Chinese persons and companies in a number of sectors, focusing on

entities the United States believes are involved in human rights violations, information technology and communications equipment and services, and military activities, among others. In response, the PRC has announced a number of sanctions and trade restrictions that target or provide authority to target foreign officials and companies, including those in the United States. Heightened geopolitical tensions between the United States and the PRC continue to cause significant uncertainty in the global macroeconomy, and the rhetoric surrounding the trade tensions continues to escalate as neither side has been willing to resume stalled trade negotiations. The amicable resolution of such a trade war remains elusive, and the lasting impacts that any trade war may have on the PRC economy and the PRC real estate industry remain uncertain. Moreover, the trade tensions between the EU and China have grown following the EU's decision to impose tariffs on electric vehicles imported from China, potentially affecting economic relations and altering market dynamics between the two regions.

In the first half of 2023, the global financial markets have experienced further turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank, the crisis of Credit Suisse and the seizure of First Republic Bank, which has resulted in higher uncertainty in the financial services industry and has raised questions about the viability of other financial services firms and possibility of broader systemic risk. In addition, the response by government regulators and central banks to recent financial markets turmoil, including the response by Swiss authorities to the collapse of Credit Suisse and the seizure of First Republic Bank by U.S. regulators, has caused market participants to question how regulators and central banks will utilise resolution authority powers with respect to financial institutions or otherwise respond in the event of further turbulence or crisis in financial markets. In turn, the actual or perceived soundness of these financial institutions could have an adverse effect on the Group's cost of borrowing and the cost of financing the Group's operations and investments. For further details. In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the PRC economy and financial markets, and in turn on the Bank's business, financial condition and results of operations.

A significant majority of the Bank's businesses, assets and operations are located in the PRC. Accordingly, its financial conditions, results of operations and business prospects are, to a significant degree, subject to the economic, political, legal and social conditions and developments in the PRC.

The PRC economy has historically been a planned economy. A substantial portion of productive assets in the PRC is still owned directly or indirectly by the PRC government. The PRC government also exercises significant control over the growth of the PRC economy through measures such as allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. These measures are aimed to benefit the overall economy of the PRC, but some of them may have negative effects on certain industries, including the commercial banking industry. For example, the Bank's operating results may be adversely affected by government control over capital investments or changes in interpretation of and application of applicable tax regulations. In addition, in recent years, the PBOC has instituted broad reform of the PRC's monetary policy. If the Bank is unable to adjust its operations in accordance with these reforms, its financial condition and results of operations could be materially and adversely affected.

Although the PRC's economic growth has increased compared to its level immediately after the global financial crisis, it has displayed signs of slowdown as evidenced by a decrease in the growth rate of the PRC's gross domestic product ("GDP") in recent years. This was caused by a combination of factors most of which are beyond the Bank's control, such as the global economic conditions, governmental policies and changes in market dynamics globally and regionally. According to the statistics released by the National Bureau of Statistics of China (the "NBS"), in 2022, the PRC government reported a GDP of RMB121.02 trillion, representing a decrease in year-on-year growth to 3.0 per cent. at constant prices; in 2023, the PRC government reported a GDP of RMB126.06 trillion, representing year-on-year growth of 5.2 per cent. at constant prices; and in 2024, the PRC government reported a GDP of RMB134.91 trillion, representing year-on-year growth of 5.0 per cent. at constant prices. Although the PRC government has recently taken several measures and actions

with an aim to increase investors' confidence in the PRC economy, there can be no assurance that those measures will be effective. In the meantime, the macroeconomic measures and monetary policies adopted by the PRC government in response to economic conditions, such as adjusting tax policies, benchmark interest rates or reserve requirement ratios, may have a material effect on the Bank's business, financial condition, results of operations and asset quality. As the PRC government continues to regulate the economy by using monetary and fiscal policies, the Bank's business, financial condition and results of operations may be materially and adversely affected.

Interpretation and implementation of the PRC laws and regulations may involve uncertainties.

The Bank is incorporated and exists under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC has promulgated laws and regulations dealing with legal relations in respect of such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, especially with respect to the PRC banking regulatory regime, these laws and regulations may be subject to different interpretations and enforced in different manners. As PRC laws and regulations could be subject to interpretation and enforcement in different manners, this may adversely affect the legal protections and remedies that are available to the Bank in its operations and to holders of the Notes.

For example, on 10 February 2023, the NDRC issued the NDRC Measures, which replaced the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “**NDRC Circular**”) issued by the NDRC on 14 September 2015. Effective from 10 February 2023, according to the NDRC Measures, domestic enterprises and/or their overseas controlled entities shall procure the registration of any issue of debt securities with term of one year or more outside the PRC with the NDRC prior to such issue, and (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the foreign debt registration certificate with respect to the relevant Notes in accordance with the NDRC Measures, (ii) file or cause to be filed with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations. The NDRC Measures mentions some legal consequences of non-compliance with the pre-issuance registration. For example, if the enterprise borrows foreign debt in violation of the NDRC Measures, the examination and registration authority shall take disciplinary actions such as holding an interview and giving a public warning against the relevant enterprise and its principal person-in-charge according to the seriousness of the circumstances, and if any intermediary agency knows or should have known that an enterprise is borrowing foreign debt in violation of the relevant provision of the NDRC Measures but still provides the relevant intermediary services to the enterprise, the examination and registration authority shall circulate a notification of violation of regulations, and consult the relevant department on punishing the relevant intermediary agency and relevant liable persons in accordance with the applicable laws and regulations. In the worst-case scenario, if pre-issuance registration is required but not complied with, it might become unlawful for the relevant Branch Issuer or the Bank, as the case may be, to perform or comply with any of its obligations under the relevant Notes and the relevant Notes might be subject to enforcement as provided in Condition 14 (*Events of Default*). Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

Similarly, the NDRC Measures mentions some legal consequences of non-compliance with the post-issue reporting requirement. Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing, etc.) under Articles 24 and 26 of the NDRC Measures may result in the relevant entities being ordered to make corrections

within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the “Credit China” website and the national enterprise credit information publicity system, among others.

The relevant Branch Issuer (acting through the Bank) or, as the case may be, the Bank, undertakes to (i) file or cause to be filed with the NDRC the requisite information and documents within the relevant prescribed timeframes from time to time after the relevant Issue Date in respect of the relevant Notes in accordance with the NDRC Measures and (ii) comply with the NDRC Measures and other obligations required by the NDRC as it applies to the relevant Notes. However, the NDRC Measures is new and its implementation may involve uncertainty.

While the NDRC Measures has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Measures, the NDRC Measures is silent on whether any such non-compliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Measures would not result in adverse consequences on the relevant Branch Issuer’s or the Bank’s ability to perform in accordance with the Terms and Conditions of the Notes or the enforceability of the Notes.

On 11 January 2017, the PBOC promulgated the Circular on Issues concerning the Macro-prudential Management of Full-covered Cross-border Financing (Yin Fa [2017] No. 9) (中国人民银行关于全口径跨境融资宏观审慎管理有关事宜的通知) (the “**PBOC Circular**”). Under the PBOC Circular, financial institutions are required to file relevant operating rules and internal control policies and the details of the calculation of their outstanding foreign debt and foreign debt limit with PBOC or SAFE before making their first cross-border financing transaction and they are required to report to PBOC or SAFE of the amount of its capital fund and the financing agreement when a financing agreement is signed and before the drawdown of the loan or issue of debt securities, report its cross-border income after such drawdown, and report its cross-border payments after making interest or principal payments. In addition, financial institutions are also required to report to PBOC or SAFE on the fifth working day of each month on the foreign debt it has borrowed and the change in its outstanding foreign debt during the previous month. The Bank is one of the 27 designated banks required to carry out the aforesaid reporting procedures. The PBOC Circular is a new regulation and is subject to interpretation and application by relevant PRC authorities. The PBOC Circular applies to the issue of Notes under the Programme by the Bank or its onshore branches, but does not explicitly state whether it applies to offshore branches of financial institutions incorporated in the PRC.

Further, for the purpose of calculating the risk-weighted cross-border financing balance as prescribed in the PBOC Circular, the foreign debt (including but not limited to the Notes) of offshore branches of financial institutions in the PRC are excluded from the calculation unless PBOC requires that the foreign debt be included if issue proceeds of the Notes is remitted into the PRC. If reporting is required but not complied with, PBOC and/or SAFE may, among other things, (a) issue a notice of censure, (b) request rectification within a time limit, (c) impose a penalty according to the Law of People’s Republic of China on the People’s Bank of China and the Regulation of the People’s Republic of China on the Management of Foreign Exchanges, (d) suspend cross-border financing of the institution, and (e) collect risk reserves from the institution. In addition, in the worst case scenario, if reporting is required but not complied with, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes and the Notes might be subject to the enforcement as provided in Condition 14 (*Events of Default*).

The Bank is subject to the PRC government controls on currency conversion and future movements in foreign currency exchange rates.

The Bank receives a significant majority of its revenues in Renminbi. A portion of these revenues must be converted into other currencies to meet its foreign currency obligations.

The value of Renminbi against the U.S. dollar and other currencies fluctuates and is affected by many factors, including changes in political and economic conditions in the PRC and globally. Starting from 1994, the conversion of Renminbi into foreign currencies, including the Hong Kong dollar and the U.S. dollar, was based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and then current exchange rates on the world financial markets. For more than ten years, the official exchange rate for conversion of Renminbi to U.S. dollar was generally stable.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2 per cent. against the U.S. dollar. In July 2008, the PRC government announced that its exchange rate regime would change into a managed floating mechanism based on market supply and demand. Given domestic and overseas economic developments, the PBOC decided to further adjust the Renminbi exchange rate regime in April 2012 and March 2014 to enhance the flexibility of the Renminbi exchange rate. In August 2015, the PRC government thrice lowered the daily mid-point trading price of the Renminbi weaker against the U.S. dollar, which was the most significant downward adjustment of the Renminbi in more than a decade. Since April 2019, the value of Renminbi has depreciated in value against the U.S. dollar by more than five per cent. amidst an uncertain trade and global economic climate. In August 2019, the PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. Since June 2020, Renminbi has been experiencing another round of appreciation against U.S. dollar. However, as at 31 August 2023, the Renminbi was around 4.2 per cent. weaker against the U.S. dollar than it was a year ago. There is no assurance that the Renminbi will not experience significant fluctuations against the U.S. dollar in the future. The PRC government may also make further adjustments to the exchange rate system. Any appreciation of Renminbi against the U.S. dollar or any other foreign currency may result in a decrease in the value of the Bank's foreign currency-denominated assets. Conversely, any devaluation of Renminbi may adversely affect the value of the Bank's assets in Renminbi terms.

In addition, the Bank is required to obtain approval from SAFE before converting foreign currencies into Renminbi for non-current account transactions, such as the repayment of loan principal and investment in equities. All these factors could materially and adversely affect the Bank's business, financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

There can be no assurance of the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to the Bank, the PRC, its economy or its banking industry.

Certain facts, forecasts and statistics in this Offering Circular relating to the PRC, the PRC economy, the PRC and global banking industries and the Bank's market share and ranking are derived from various official and other publicly available sources which are generally believed to be reliable. However, the Bank cannot guarantee the quality and reliability of such source materials. In addition, these facts, forecasts and statistics have not been independently verified by the Bank, or any of its directors, employees, representatives, affiliates or advisers and, therefore, none of them makes any representation as to the accuracy or fairness of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up to date. The Bank has taken reasonable care in reproducing or extracting the information from such sources. However, because of possibly flawed or ineffective methodologies underlying

the published information or discrepancies between the published information and market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or be comparable to facts, forecasts or statistics produced for other economies and should not be unduly relied upon.

Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in the PRC, may have a material and adverse effect on the Bank's business operations, financial condition and results of operations.

Any future force majeure events, such as occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, SARS, Ebola virus disease (“**Ebola**”), Middle East respiratory syndrome coronavirus (“**MERS**”), COVID-19, swine flu caused by the H1N1 virus, or H1N1 flu or variants thereof, may materially and adversely affect the Bank's business, financial condition and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Bank and have adverse effects on the quality of its assets, business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Bank's business. There is no assurance that such outbreak will not lead to decreased demand for services the Bank provides; nor is there assurance that such outbreak's adverse impact on the PRC economy and the Bank's customers will not adversely affect the level of non-performing loans.

Moreover, the PRC has experienced natural disasters like earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Bank's business. There can be no guarantee that any future occurrence of natural disasters or outbreak of COVID-19, avian influenza, SARS, Ebola, MERS, swine flu, H1N1 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, Ebola, MERS, swine flu, H1N1 flu, COVID-19 or other epidemics, will not seriously interrupt the Bank's operations or those of its customers, which may have a material and adverse effect on its business, financial condition and results of operations.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The PRC banking regulatory regime is continually evolving and the Bank is subject to future regulatory changes.

The Bank operates in a highly regulated industry and is subject to laws and regulations governing all aspects of its operations. The principal banking-related statutes and regulations are the PRC Commercial Banking Law and the related implementation rules. The principal regulators of the PRC banking industry are the NAFR (formerly known as the CBIRC), the PBOC and SAFE.

The PRC banking regulatory regime has been evolving continuously. Some of the changes in the rules and regulations as well as their interpretations may result in additional costs or restrictions on the Bank's operations and activities. For example, the PBOC, as the central bank of the PRC, exercises significant influence over monetary policies, including setting the official benchmark interest rates that all the PRC commercial banks must follow. In addition, the Bank may be required to increase its deposit reserves in response to future changes in the PBOC rules and regulations. The Bank may be required to take additional steps to comply with future changes on a timely basis. For example, the PBOC may increase or decrease the reserve requirement ratio, which refers to the amount of funds that banks must hold in reserve against deposits made by their customers, or revise its calculation basis in the future. Increases in the bank reserve requirement ratio or expansion of the calculation basis of the reserve requirement may negatively impact the amount of funds available for loans to businesses provided by the Bank and therefore may adversely affect the Bank's ability to earn interest.

The Bank's business and operations are directly affected by changes in the PRC's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which it can engage in specific businesses, as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations nor can there be any assurance that the Bank will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Bank's activities and could also have a significant impact on its business.

The increasingly competitive nature of the PRC banking industry and competition from non-traditional forms of banking, as well as competition for funds which may arise from the developing PRC capital markets, could adversely affect the Bank's business, financial condition, results of operations and prospects.

The PRC banking industry is becoming increasingly competitive. The Bank faces competition from large-scale commercial banks, national joint stock commercial banks, key urban commercial banks and foreign-invested banks. In addition, the Mainland and Hong Kong Closer Economic Partnership Arrangement, which allows Hong Kong banks to operate in the PRC, may also increase competition in the PRC banking industry. These banks and financial institutions compete with the Bank for substantially the same loan, deposit and fee customers. Some of these banks may have greater financial, management and technical resources than the Bank. Moreover, the PRC government has, in recent years, implemented a series of measures designed to further liberalise the banking industry, including those relating to interest rates and fee-and commission-based products and services, which are changing the basis on which the Bank competes with other banks for customers. The increased competition may:

- reduce the Bank's market share in its principal products and services;
- reduce the growth of the Bank's loan portfolio or deposit base and other products and services;
- reduce the Bank's interest income, increase its interest expenses and decrease its net interest margin;
- reduce the Bank's fees and commission income;
- increase the Bank's outgoings and expenses, such as marketing and administrative expenses;
- lead to a deterioration of the Bank's asset quality; and
- increase the turnover of and competition for senior management and qualified professional personnel.

The Bank may not always be able to maintain its competitive advantage or successfully compete in all the business areas in which it currently operates or will in the future operate.

On 1 July 2013, the General Office of the State Council of the PRC issued Guidance Letter regarding Financial Support for Promoting Economic Restructuring and Transformation (国务院办公厅关于金融支持经济结构调整和转型升级的指导意见) (the "**Guidance Letter**"). The Guidance Letter, among others, encourages investment by private-sector capital in financial institutions and the establishment of privately-owned banks. The Guidance Letter provides a policy direction to the increasing involvement of private-sector capital in the financial industry in the PRC.

The Bank may face increasing competition from privately-owned banks or financial companies dedicated to serving SMEs in the future. The Bank may also face competition for funds from other forms of investment alternatives as the PRC capital markets continue to develop. For example, as the PRC capital markets continue to develop and become a more viable and attractive investment alternative, the Bank's deposit customers may

elect to transfer their funds into bonds, equities and other capital market instruments, which may reduce its deposit base and materially and adversely affect its business, financial condition and results of operations.

Furthermore, the Bank faces competition from non-traditional forms of banking, including but not limited to internet finance such as “Yu’e Bao” (“余额宝”) and peer-to-peer lending and internet banking. Internet finance and internet banking have experienced rapid growth in recent years in the PRC. As such non-traditional forms of banking continue to gain importance, the increasing costs of maintaining physical banking outlets have made traditional forms of banking less profitable. There is no assurance that the Bank will continue to have sufficient resources, knowhow or technology to develop its internet banking business. In the event the Bank fails to adapt to internet finance, internet banking or other banking trends, the business, financial condition and results of operations of the Bank may be adversely affected.

The rate of growth of the PRC banking market may not be sustainable.

The prospective impact on the PRC banking industry of certain trends and events, such as the pace of economic growth in the PRC and the ongoing reform of the social welfare system, is currently not clear. Consequently, there can be no assurance that the growth and development of the PRC banking market will be sustainable.

PRC regulations impose limitations on the types of investments the Bank may make and, as a result, the Bank has a limited ability to seek optimal investment returns, to diversify its investment portfolio and to hedge the risks of its Renminbi-denominated assets.

As a result of PRC regulatory restrictions, substantially all of the Renminbi-denominated investment assets of PRC commercial banks are concentrated in limited types of investments permitted by the PRC government. These permitted investments include PRC treasury bonds, finance bonds issued in the National Inter-bank Bond Market policy banks, notes issued by the PBOC and Tier 2 capital instruments issued by PRC policy banks, commercial banks and insurance companies. These restrictions on the Bank’s ability to diversify its investment portfolio limit its ability to seek an optimal return on its investments. The restrictions also expose the Bank to significantly greater risk of investment loss in the event a particular type of investment the Bank holds suffers a decrease in value. For example, a general increase in interest rates may result in a significant decline in the value of the fixed income debt securities held by the Bank. In addition, due to the limited hedging tools available, the Bank’s ability to manage market and credit risks relating to Renminbi-denominated assets is limited, and any resulting decline in the value of its Renminbi-denominated assets will adversely affect the Bank’s financial condition and results of operations. This may negatively affect the Bank’s ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank’s results of operations may be adversely affected if the PBOC further expedites the deregulation of interest rates.

The PBOC has adopted reform measures to liberalise the PRC’s interest rate regime. Effective on 8 June 2012, the PBOC allows financial institutions to set deposit interest rates at up to 110 per cent. of the PBOC benchmark deposit interest rates. As at 25 August 2015, the PBOC one-year Renminbi benchmark loan interest rate was 4.60 per cent. and the one-year Renminbi benchmark deposit interest rate was 1.75 per cent. On 25 October 2013, the PBOC introduced a new prime lending rate, officially known as the “loan prime rate”, which is based on a weighted average of lending rates from nine commercial banks. Similarly, the PBOC has adopted measures to liberalise RMB-denominated deposits in commercial banks in China in recent years. As at 11 May 2015, the interest rate for RMB-denominated deposits cannot be set above 150 per cent. of the relevant PBOC benchmark rate. As at 24 October 2015, there is no longer a ceiling rate for the interest rate for RMB-denominated deposits.

In recent years, the PBOC has adjusted the benchmark interest rates several times. The PBOC may further liberalise the existing interest rate restrictions on Renminbi-denominated loans and deposits. If the existing regulations are substantially liberalised or eliminated, competition in the PRC’s banking industry will likely

intensify as the PRC's commercial banks seek to offer more attractive interest rates to customers. Further liberalisation by the PBOC will likely lead to an intensification of competition in the PRC banking industry and may result in the narrowing of the spread in the average interest rates between Renminbi-denominated loans and Renminbi-denominated deposits, thereby adversely affecting the Bank's business, financial condition and results of operations.

The effectiveness of the Bank's credit risk management is affected by the quality and scope of information available in the PRC.

National credit information databases developed by the PBOC have been in operation since January 2006. However, as the information infrastructure in the PRC is still under development and there remains limitations on the availability of information, national credit information databases are generally under-developed and are not able to provide complete credit information on many of the Bank's credit applicants. Until the PRC has more fully developed and implemented its nationwide unified credit information database on corporate borrowers, the Bank has to rely on other publicly available resources and its internal resources to supplement what is currently available on the nationwide unified credit information database for enterprises. These sources of data and information are not sufficiently complete or effective for the robust credit risk management system that the Bank attempts to build. Therefore, there can be no assurance that the Bank's assessment of the credit risks associated with any particular customer is based on complete, accurate and reliable information. As a result, the Bank's ability to effectively manage its credit risk may be materially and adversely affected.

RISKS RELATING TO THE FINANCIAL INFORMATION

Potential investors should not place undue reliance on the unaudited but reviewed or unaudited and unreviewed financial information included elsewhere in this Offering Circular and the financial information incorporated by reference that is not audited.

The section headed "*Summary Financial Information of the Bank*" contains the unaudited and unreviewed consolidated quarterly financial information of the Bank for the three months ended 31 March 2025. This Offering Circular also incorporates by reference the most recently published unaudited but reviewed condensed interim financial statements of the Bank published from time to time after the date of this Offering Circular, together with any review reports prepared in connection therewith, as well as the most recently published unaudited and unreviewed consolidated quarterly reports, published subsequent to the date of this Offering Circular. The Bank publishes its unaudited but reviewed condensed interim financial statements in respect of the six months ended 30 June of each financial year on the official website of the Shanghai Stock Exchange, and its unaudited and unreviewed consolidated quarterly reports in respect of periods ended 31 March and 30 September of each financial year on the official website of the Shanghai Stock Exchange.

The semi-annual interim reports have not been and will not be audited by the Bank's auditors and were and will be prepared under IAS 34. The semi-annual interim reports should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. The quarterly reports have not been and will not be audited or reviewed by the Bank's auditors and were and will be prepared under PRC GAAP. The quarterly reports should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an auditor or review. None of the Bank, the Group, the Arrangers, the Dealers or their respective directors, officers, employees, agents, affiliates or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such unaudited or, as the case may be, unreviewed consolidated interim financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Bank's financial condition and results of operations. The semi-annual interim reports or, as the case may be, the quarterly reports should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

This Offering Circular does not include any information in relation to the differences between IAS 34 and IFRS or, as the case may be, PRC GAAP and IFRS. Had the unaudited but reviewed or, as the case may be, unaudited but reviewed condensed interim financial statements instead been prepared in accordance with IFRS, the presentation of the Bank's results of operations and financial position may have been materially different. Accordingly, in making an investment decision, potential investors should consult their own professional advisers for an understanding of the differences between IAS 34 and IFRS or, as the case may be, PRC GAAP and IFRS and how these differences might affect the financial information stated herein.

Historical consolidated financial information of the Bank is not indicative of its current or future results of operations.

The historical financial information of the Bank included in this Offering Circular is not indicative of its future financial results. Such financial information is not intended to represent or predict the Bank's results of operations of any future periods. The Bank's future results of operations may change materially if its future growth deviates from the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC rules and regulations and the competitive landscape of the banking industry.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME

If the Bank fails to complete the post-issuance report to the NDRC in connection with the Notes or fails to fulfil other regulatory obligations, NDRC or other relevant authorities may impose penalties or other administrative procedures on the Bank.

On 10 February 2023, the NDRC issued the NDRC Measures, which replaced the NDRC Circular. Effective from 10 February 2023, according to the NDRC Measures, domestic enterprises and/or their overseas controlled entities shall procure the registration of any issue of debt securities with term of one year or more outside the PRC with the NDRC prior to such issue, and (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the foreign debt registration certificate with respect to the relevant Notes in accordance with the NDRC Measures, (ii) file or cause to be filed with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations. The NDRC Measures mentions some legal consequences of non-compliance with the pre-issuance registration. For example, if the enterprise borrows foreign debt in violation of the NDRC Measures, the examination and registration authority shall take disciplinary actions such as holding an interview and giving a public warning against the relevant enterprise and its principal person-in-charge according to the seriousness of the circumstances, and if any intermediary agency knows or should have known that an enterprise is borrowing foreign debt in violation of the relevant provision of the NDRC Measures but still provides the relevant intermediary services to the enterprise, the examination and registration authority shall circulate a notification of violation of regulations, and consult the relevant department on punishing the relevant intermediary agency and relevant liable persons in accordance with the applicable laws and regulations. In the worst-case scenario, if pre-issuance registration is required but not complied with, it might become unlawful for the relevant Branch Issuer or the Bank, as the case may be, to perform or comply with any of its obligations under the relevant Notes and the relevant Notes might be subject to enforcement as provided in Condition 14 (*Events of Default*). Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

Similarly, the NDRC Measures mentions some legal consequences of non-compliance with the post-issue reporting requirement. Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing, etc.) under

Articles 24 and 26 of the NDRC Measures may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the “Credit China” website and the national enterprise credit information publicity system, among others.

The relevant Branch Issuer (acting through the Bank) or, as the case may be, the Bank, undertakes to (i) file or cause to be filed with the NDRC the requisite information and documents within the relevant prescribed timeframes from time to time after the relevant Issue Date in accordance with the NDRC Measures and (ii) comply with the NDRC Measures and other obligations required by the NDRC as it applies to the relevant Notes. However, the NDRC Measures is relatively new and its implementation may involve uncertainty. While the NDRC Measures has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Measures, the NDRC Measures is silent on whether any such non-compliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Measures would not result in adverse consequences on the relevant Branch Issuer’s or the Bank’s ability to perform in accordance with the Terms and Conditions of the Notes or the enforceability of the Notes.

In addition, when the Issuer is the Bank, there are other pre-issuance or post-issuance applying to the issuance of the Tranche of Notes to be issued, e.g. the PBOC Approval, PBOC Circular, NAFR Reporting and PBOC Reporting (as defined in the Terms and Conditions of the Notes). The Bank has undertaken in the Terms and Conditions of the Notes that it would obtain the approval by the PBOC before issuing a particular tranche of Notes, provide or cause to be provided a notification of the requisite information and documents in connection with the Notes to the PBOC, the NAFR (formerly known as the CBIRC) and/or SAFE within the prescribed timeframe after the relevant Issue Date. If the Bank fails to obtain any such approvals or fails to file or cause to be filed with the relevant authorities the requisite information and documents within the prescribed timeframe, there may be adverse consequence or penalties imposed on the Bank.

The Financial Institutions (Resolution) Ordinance may adversely affect the Notes.

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the “**FIRO**”) came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may include the Bank to the extent it conducts licensed activities in Hong Kong. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Notes may become subject to and bound by the FIRO.

On 17 January 2018, the HKMA announced a public consultation on a set of proposed rules to set out minimum loss-absorbing capacity (“**LAC**”) requirements for authorised institutions under FIRO. The LAC requirements have been proposed in order to ensure that the resolution regime can be used effectively and that authorised institutions have sufficient loss-absorbing capacity. On 14 December 2018, the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (Cap. 628B) came into operation as subsidiary registration under the FIRO.

The implementation of FIRO and LAC requirements remains untested. Therefore, the Bank is unable to assess the full impact of FIRO and the LAC requirements on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries, its operations and/or its financial position.

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

A change in English law which governs the Notes may adversely affect Noteholders.

The Terms and Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

It may be difficult to effect service of process or to enforce any judgments obtained from non-PRC courts against the Group or its management residing in the PRC.

The Terms and Conditions of the Notes and the Programme documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken. In addition, most companies in the Group are incorporated in the PRC and a substantial amount of the Group's assets and companies are located in the PRC. Further, most of the Group's management reside in the PRC, together with their personal assets. Therefore, investors may encounter difficulties in effecting service of process from outside PRC upon the Group or its management.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Group is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon the Group or its management in the PRC.

On 18 January 2019, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the **"2019 Arrangement"**). The 2019 Arrangement has been implemented in Hong Kong by the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which came into operation on 29 January 2024. In the Mainland, the Supreme People's Court promulgated a judicial interpretation to implement the 2019 Arrangement on 26 January 2024 (the **"Judicial Interpretation"**). The 2019 Arrangement applies to judgments made on or after 29 January 2024.

As the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, the Noteholders' ability to initiate a claim outside Hong Kong will be limited.

Under the 2019 Arrangement, where the Hong Kong court has given a legally effective judgment in a civil and commercial matter, any party concerned may apply to the relevant People's Court of the Mainland for recognition and enforcement of the judgment, subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement and the Judicial Interpretation. The recognition and enforcement of a Hong Kong court judgment could be refused if the relevant People's Court of the Mainland consider that the enforcement of such judgment is contrary to the basic principles of law of the Mainland or the social and public interests of the Mainland. While it is expected that the relevant People's Courts of the Mainland will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that such courts will do so for all such judgments as there is no established practice in this area.

The Notes may be represented by Global Notes or Global Note Certificates and holders of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes or Global Note Certificates. Such Global Notes or Global Note Certificates will be deposited with a common depositary for Euroclear and Clearstream, or lodged with a sub-custodian for or registered with the CMU (each of Euroclear, Clearstream, and the CMU, a **"Clearing System"**). Except in the circumstances described in the relevant Global Note or Global Note Certificate, investors will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Note Certificates.

While the Notes are represented by one or more Global Notes or Global Note Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Note Certificates, the relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, or, as the case may be, to the relevant paying agent, in the case of the CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Note Certificates. Holders of beneficial interests in the Global Notes or Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or a Global Note Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (i) equal to, or integral multiples of, the minimum denomination, and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. Definitive Notes will only be issued if (a) the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce(s) an intention to permanently cease business; or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the relevant Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

Gains on the transfer of the Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementation rules, as amended from time to time, any gain realised on the transfer of the Notes by non-PRC resident enterprises or individual holders may be subject to PRC enterprise income tax (“EIT”) or PRC individual income tax (“IIT”) if such gain is regarded as income derived from sources within the PRC. While the PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Noteholders from the transfer of the Notes, its implementation rules have reduced the enterprise income tax rate to 10 per cent. In accordance with the PRC Individual Income Tax Law and its implementation rules (as amended from time to time), any gain realised by a non-PRC resident individual Noteholder from the transfer of the Notes may be regarded as being sourced from the PRC and thus be subject to IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholder from the transfer of the Notes. However, there remains uncertainty as to whether the gain realised from the transfer of the Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and their respective implementation rules. If such gains are determined as income sourced in the PRC by the relevant PRC tax authorities, (i) the non-PRC resident enterprise Noteholders may be subject to EIT at the rate of 10 per cent. of the gains derived by such non-PRC resident enterprise Noteholders and (ii) the non-PRC resident individual Noteholders may be subject to IIT at the rate of 20 per

cent. of the gains derived by such non-PRC resident individual Noteholders. Unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC resident enterprise or individual resident holders of the Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in the Notes may be materially and adversely affected.

The Issuer may redeem outstanding notes for tax reasons.

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the relevant Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong, the PRC, the jurisdiction where the Issuer is located or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the relevant Issuer may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes.

Notes may be issued with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, Notes may be issued with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment.

Notes may be issued where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Regulation of benchmarks may lead to future reforms or discontinuation.

The EURIBOR, HIBOR and other interest rates or other types of rates and indices which are deemed to be benchmarks have been subject to significant regulatory scrutiny and legislative intervention in recent years. This relates not only to creation and administration of benchmarks, but, also, to the use of a benchmark rate.

In the EU, for example, Regulation (EU) No. 2016/1011, as amended (the “**EU Benchmarks Regulation**”) applies to the provision of, contribution of input data to, and the use of, a benchmark within the EU, subject to certain transitional provisions. Similarly, Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the EUWA, as amended (the “**UK Benchmarks Regulation**”) applies to the provision of, contribution of input data to and the use of a benchmark, within the UK, subject to certain transitional provisions. Legislation such as the EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index – for example, if the methodology or other terms of the benchmark are changed in the future in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation or other similar legislation, or if a critical benchmark is discontinued or is determined to be by a regulator to be “no longer representative”. Such factors could (amongst other things) have the effect of reducing or increasing the rate or level or may affect the volatility of the published rate or level of the benchmark. They may also have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks,” trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the discontinuance or unavailability of quotes of certain “benchmarks”.

Although EURIBOR has subsequently been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with the Euro short-term rate (“**€STR**”) or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 7(n) (*Benchmark Replacement (Independent Adviser) (other than Floating Rate Notes which reference SOFR or SOFR Compounded Index)*)), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The administrator of SOFR or any related indices may make changes that could change the value of SOFR or any related index, or discontinue SOFR or any related index.

The Federal Reserve or the Bank of New York (or their successors) as administrators of SOFR (and the SOFR Compounded Index) may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

Interest rate “fallback” arrangements may lead to Notes performing differently or the effective application of a “fixed rate”.

If a relevant benchmark (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event (each as defined in the Terms and Conditions of the Notes) occurs, the Terms and Conditions of the Notes provide for certain fallback arrangements. Such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective.

Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. It is also possible that such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Moreover, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Terms and Conditions of the Notes) in certain circumstances the relevant fallback provisions may not operate as intended at the relevant time. Additionally, in certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used, which may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and the UK Benchmarks Regulation reforms or arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Methodologies for the calculation of risk-free rates (including overnight rates or forward-looking rates) as reference rates for Floating Rate Notes may vary and may evolve.

Risk-free rates, including those such as the Secured Overnight Financing Rate (“SOFR”), as reference rates for Eurobonds, have become more commonly used as benchmark rates for bonds in recent years. Most of the rates are backwards-looking, but the methodologies to calculate the risk-free rates are not uniform. Such different methodologies may result in slightly different interest amounts being determined in respect of otherwise similar securities.

The Issuer may in the future also issue Notes referencing SOFR or the SOFR Compounded Index that differ materially in terms of interest determination when compared with any previous Notes issued by it under this Programme. Such variations could result in reduced liquidity or increased volatility, or might otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, investors should carefully consider how any mismatch between applicable conventions for the use of reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SOFR or any related indices.

It is not possible to calculate interest rates in advance for Notes which reference SOFR or any related index.

Interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may therefore be difficult for investors in Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes.

Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking rates become due and payable as a result of an Event of Default under Condition 14 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

Fixed or floating rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the fixed or floating rate Notes may be less favourable than the then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

RISKS RELATING TO THE MARKET GENERALLY

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Series, such Series is to be consolidated with and form a single series with a Series of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Bank. If the Notes are traded at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although application has been made to the HKSE for listing of the Programme on the HKSE, and application has been made to the SGX-ST for permission to deal in, and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at the time of issue thereof to be so listed on the SGX-ST, there is no assurance that such application will be accepted, that any particular Series of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade securities has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Series of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The relevant Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency

would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") is set out below.

There are restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.

The PRC government regulates conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government.

Although the PBOC has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC government will liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, it has established the Cross-Border Inter-Bank Payments System to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC, although PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The PBOC has in recent years implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Investment in the Renminbi Notes is subject to interest rate risks.

The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes.

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Note Certificates held with the common depositary for Clearstream and Euroclear or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, (ii) for so long as the Renminbi Notes are represented by Global Note Certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre

in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Remittance of proceeds in Renminbi into or out of the PRC.

If the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the PRC government will not impose any interim or long-term restrictions on capital inflow or outflow which may restrict cross-border Renminbi remittances, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. If the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The Pricing Supplement in respect of any Tranche of Notes may supplement, amend and/or replace any information in this Offering Circular.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

1 Introduction

- (a) **Programme:** Shanghai Pudong Development Bank Co., Ltd. (the “**Bank**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to U.S.\$5,000,000,000 in aggregate principal amount of notes (the “**Notes**”).
- (b) **Pricing Supplement:** Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a pricing supplement (the “**Pricing Supplement**”) which supplements, amends and/or replaces these terms and conditions (the “**Conditions**”). Each Series of Notes may be issued by the Bank or any branch of the Bank located in Hong Kong, Macau or Taiwan, or any branch of the Bank located outside the PRC (each such branch of the Bank, a “**Branch Issuer**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) **Agency Agreement:** The Notes are the subject of an amended and restated fiscal agency agreement dated 10 July 2020 and otherwise as further amended and/or supplemented from time to time (the “**Agency Agreement**”) between (i) the Bank (on behalf of itself and each Branch Issuer), (ii) The Bank of New York Mellon, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), (iii) The Bank of New York Mellon, Hong Kong Branch as lodging and paying agent, transfer agent and registrar in respect of Notes cleared or to be cleared through the CMU (in such capacities, the “**CMU Lodging and Paying Agent**”, the “**CMU Transfer Agent**” and the “**CMU Registrar**”, which expressions include any successor lodging and paying agent, transfer agent and registrar appointed from time to time in connection with such Notes), (iv) The Bank of New York Mellon SA/NV, Luxembourg Branch as transfer agent and registrar in respect of Notes cleared or to be cleared through Euroclear Bank SA/NV and/or Clearstream Banking S.A. (in such capacities, the “**Principal Transfer Agent**” and the “**Principal Registrar**”, which expressions include any successor transfer agent and registrar appointed from time to time in connection with such Notes), the paying agents named therein (together with the Fiscal Agent and the CMU Lodging and Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Principal Transfer Agent and the CMU Transfer Agent, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the “**Registrars**” are to the Principal Registrar and the CMU Registrar and any reference to a “**Registrar**” is to any one of them; and references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them.

- (d) *Deed of Covenant*: The Notes may be issued in bearer form (“**Bearer Notes**”), or in registered form (“**Registered Notes**”). Registered Notes are constituted by an amended and restated new deed of covenant dated 10 July 2020 and otherwise as further amended and/or supplemented from time to time (the “**Deed of Covenant**”) entered into by the Bank (on behalf of itself and each Branch Issuer).
- (e) *The Notes*: All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for inspection upon request by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents.
- (f) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection upon request by Noteholders during normal business hours at the Specified Offices of each of the Agents.

2 Interpretation

- (a) *Definitions*: In these Conditions the following expressions have the following meanings:
 - “**2006 ISDA Definitions**” means, in relation to a Series of Notes, the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Notes of such Series) as published by ISDA (copies of which may be obtained from ISDA at www.isda.org);
 - “**2021 ISDA Definitions**” means, in relation to a Series of Notes, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (including each Matrix (and any successor Matrix thereto), as defined in such 2021 ISDA Interest Rate Derivatives Definitions) as at the date of issue of the first Tranche of Notes of such Series, as published by ISDA on its website (www.isda.org);
 - “**Accrual Yield**” has the meaning given in the relevant Pricing Supplement;
 - “**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;
 - “**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;
 - “**Additional Tax Amounts**” has the meaning given in Condition 13 (*Taxation*);
 - “**Business Day**” means:
 - (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
 - (b) in relation to any sum payable in Renminbi, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and
 - (c) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the

Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“Business Day Convention”, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **“FRN Convention”, “Floating Rate Convention”** or **“Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Fiscal Agent as appointed by the Issuer in respect of a Series of Notes pursuant to the terms of the Agency Agreement or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

“Calculation Amount” has the meaning given in the relevant Pricing Supplement;

“Clearstream” means Clearstream Banking S.A.;

“CMU” means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

“Coupon Sheet” means, in respect of a Note, a coupon sheet relating to the Note;

“Day Count Fraction” means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (a) if **“Actual/Actual (ICMA)”** is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
 - (iii) if **“Actual/Actual (ISDA)”** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
 - (iv) if **“Actual/365 (Fixed)”** is so specified, means the actual number of days in the Calculation Period divided by 365;
 - (v) if **“Actual/360”** is so specified, means the actual number of days in the Calculation Period divided by 360;
 - (vi) if **“30/360”** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vii) if “30E/360” or “Eurobond Basis” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and “D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (viii) if “30E/360 (ISDA)” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30, provided, however, that in each such case the number of days in the Calculation Period is calculated

from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“Early Redemption Amount (Tax)” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“Early Termination Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

“Euroclear” means Euroclear Bank SA/NV;

“Extraordinary Resolution” has the meaning given in the Agency Agreement;

“Final Redemption Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“First Interest Payment Date” means the date specified in the relevant Pricing Supplement;

“Fixed Coupon Amount” has the meaning given in the relevant Pricing Supplement;

“Holder”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC;

“Independent Adviser” means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by the Issuer at its own expense;

“Interest Amount” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

“Interest Determination Date” has the meaning given in the relevant Pricing Supplement or, in the case of Notes to which Condition 7(f) (*Floating Rate Note Provisions – Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)*) or Condition 7(g) (*Floating Rate Note Provisions – SOFR Compounded Index (Screen Rate Determination)*) applies, as otherwise specified in Condition 7(f) (*Floating Rate Note Provisions – Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)*) or Condition 7(g) (*Floating Rate Note Provisions – SOFR Compounded Index (Screen Rate Determination)*), as the case may be;

“Interest Payment Date” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified

Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA**” means the International Swaps and Derivatives Association, Inc. (or any successor);

“**ISDA Definitions**” has the meaning given in the relevant Pricing Supplement;

“**Issue Date**” has the meaning given in the relevant Pricing Supplement;

“**Issuer**” means the Bank or, in respect of any Tranche of Notes issued by a Branch Issuer, such Branch Issuer as specified in the relevant Pricing Supplement;

“**Macau**” means the Macau Special Administrative Region of the PRC;

“**Margin**” has the meaning given in the relevant Pricing Supplement;

“**Maturity Date**” has the meaning given in the relevant Pricing Supplement;

“**Maximum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Minimum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**NAFR**” means the National Administration of Financial Regulation of the PRC or its relevant competent local counterparts, formed on the basis of the former China Banking and Insurance Regulatory Commission of the PRC;

“**NAFR Approval**” means the requisite approval obtained by the Bank in respect of a particular Tranche of Notes provided by the NAFR to the Bank;

“**NAFR Measures**” means the Implementing Measures of the China Banking and Insurance Regulatory Commission for Administrative Licensing Matters for Chinese-funded Commercial Banks (Order of the China Banking and Insurance Regulatory Commission [2022] No. 5) (《中國銀保監會中資商業銀行行政許可事項實施方法》) issued by the former China Banking and Insurance Regulatory Commission of the PRC, which came into effect on 2 September 2022, and any implementation rules issued by the NAFR from time to time;

“**NDRC**” means the National Development and Reform Commission of the PRC or its local counterparts;

“**NDRC Measures**” means the Administrative Measures for the Review and Registration of Medium and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法 (國家發展和改革委員會令第56號)) issued by the NDRC on 5 January 2023 and which came into effect on 10 February 2023, and any implementation rules, reports, certificates and guidelines and applicable policies issued by the NDRC from time to time;

“**Noteholder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“Optional Redemption Amount (Put)” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“Optional Redemption Date (Call)” has the meaning given in the relevant Pricing Supplement;

“Optional Redemption Date (Put)” has the meaning given in the relevant Pricing Supplement;

“Payment Business Day” means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which (x) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and (y) a day on which commercial banks are open for general business (including dealing in foreign currencies) in the city where the Fiscal Agent or the CMU Lodging and Paying Agent (as the case may be) has its Specified Office; and
 - (ii) in the case of payment by transfer to an account, (a) a TARGET Settlement Day and (b) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (iii) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (b) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Fiscal Agent or the CMU Lodging and Paying Agent (as the case may be) has its Specified Office; and
 - (iv) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“PBOC” means the People’s Bank of China of the PRC;

“PBOC Approval” means the requisite approval obtained by the Bank in respect of a particular Tranche of Notes provided by the PBOC to the Bank or the Branch Issuer (acting through the Bank);

“PBOC Circular” means the Macro-prudential Management of Cross-border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the PBOC and which came into effect on 12 January 2017, and any implementation rules as issued by the PBOC from time to time;

“PBOC Service Guidance” means the Service Guidance on the Examination and Approval of the Interbank Bond Market or Issuance of Overseas Financial Bonds (No. 21010 of the Service Guidance on PBOC Administrative Licensing Matters) (在銀行間債券市場或到境外發行金融債券審批事項服務指南) issued by the PBOC and which came into effect on 29 December 2017, and any implementation rules as issued by the PBOC from time to time;

“Permitted Security Interest” means any Security Interest over any assets of the Bank as security for credit-linked debt securities, equity-linked debt securities or asset-backed securities issued by the Bank (including its branches);

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“PRC” or **“China”** means the People’s Republic of China excluding Hong Kong, Macau and Taiwan;

“PRC Business Day” means a day on which commercial banks are open for business in the PRC;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (c) in relation to Renminbi, it means Hong Kong and/or any other relevant financial centre, as is specified in the relevant Pricing Supplement;

“Principal Subsidiary” means any Subsidiary of the Bank:

- (a) whose gross revenues (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than five per cent. of the consolidated gross revenues, the consolidated gross assets or consolidated net profit, as the case may be, of the Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the Bank, provided that:
 - (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Bank relate for the purpose of applying each of the foregoing tests, the reference to the Bank’s latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Bank; and
 - (ii) if at any relevant time in relation to the Bank or any Subsidiary no financial statements are prepared and audited, its gross revenues, gross assets and net profit (consolidated, if applicable) shall be determined on the basis of pro forma financial statements (consolidated, if applicable) prepared for this purpose; or
- (b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (A) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary and (B) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are

published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of sub-paragraph (A) above.

A certificate by a duly authorised officer of the Bank that in his/her opinion (making such adjustments (if any) as he/she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bank, the Branch Issuer, the Noteholders and the Couponholders;

“Put Option Notice” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder; **“Put Option Receipt”** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

“Reference Price” has the meaning given in the relevant Pricing Supplement;

“Reference Rate” means EURIBOR, HIBOR, SOFR, SOFR Compounded Index or any other applicable benchmarks as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

“Regular Period” means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“Relevant Date” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“Relevant Financial Centre” has the meaning given in the relevant Pricing Supplement;

“Relevant Indebtedness” means any indebtedness, or any guarantee or indemnity, for money borrowed or raised which (i) has an original maturity of one year or above and (ii) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is issued outside the PRC and which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

“Relevant Screen Page” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Relevant Time” has the meaning given in the relevant Pricing Supplement;

“Reserved Matter” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“SAFE” means the State Administration of Foreign Exchange or its local counterparts;

“Security Interest” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“Specified Currency” has the meaning given in the relevant Pricing Supplement;

“Specified Denomination(s)” has the meaning given in the relevant Pricing Supplement; **“Specified Office”** has the meaning given in the Agency Agreement;

“Specified Period” has the meaning given in the relevant Pricing Supplement;

“Subsidiary” means, in relation to any Person (the **“first Person”**) at any particular time, any other Person (the **“second Person”**):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“Talon” means a talon for further Coupons;

“T2” means the real time gross settlement system operated by the Eurosystem or any successor system;

“TARGET Settlement Day” means any day on which T2 is open for the settlement of payments in euro;

“Tax Jurisdiction” means (a) the PRC and, as applicable, (b) where the Issuer is a Branch Issuer, the jurisdiction where such Branch Issuer is located, or in each case any political subdivision therein or any authority therein or thereof having power to tax;

“Treaty” means the Treaty on the Functioning of the European Union, as amended; and

“Zero Coupon Note” means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes or are Registered Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any Additional Tax Amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any Additional Tax Amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes;
- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes;
- (ix) any reference (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent, and all such references shall be construed accordingly; and
- (x) any reference in these Conditions to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

3 **Form, Denomination, Title and Transfer**

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

- (d) *Title to Registered Notes:* Each Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.
- (e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of any Registrar or any Transfer Agent, together with such evidence as such Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “business day” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer, any Registrar or any Transfer Agent but against such indemnity as such Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of each Registrar. A copy of the current regulations will be mailed (free of charge) by a Registrar to any Noteholder who requests in writing a copy of such regulations.

4 Status of the Notes

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5 Covenants

- (a) *Negative pledge:* So long as any Note remains outstanding (as defined in the Agency Agreement), the Bank shall not, and the Bank shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.
- (b) *Financial reports:* So long as any Note remains outstanding, the Issuer shall make publicly available and send to the Fiscal Agent and, upon request, to any Noteholder and Couponholder:
 - (i) as soon as they are available and in any event not more than 120 days after the end of each financial year, a copy of the audited annual financial statements in English (audited by an internationally recognised firm of independent accountants) of the Bank; and
 - (ii) as soon as practicable after their date of publication and in any event not more than 90 days after the end of each financial period, a copy of the semi-annual and quarterly financial statements (which comprise a consolidated balance sheet, consolidated income statement and consolidated cash flow statement) in the Chinese language prepared on a basis consistent with the audited financial statements of the Bank.
- (c) *Notification to the NDRC:* Where the NDRC Measures applies to the Tranche of Notes to be issued, the Branch Issuer (acting through the Bank) or, as the case may be, the Bank undertakes to:
 - (iii) file or cause to be filed with the NDRC the requisite information and documents within the relevant prescribed timeframes from time to time after the relevant Issue Date in accordance with the NDRC Measures; and
 - (iv) comply with the NDRC Measures and other obligations required by the NDRC as it applies to such Tranche of Notes.
- (d) *Notification to the PBOC:* Where the PBOC Circular applies to the Tranche of Notes to be issued, the Bank undertakes to provide or cause to be provided a notification of the requisite information and documents in connection with such Tranche of Notes to the PBOC and/or SAFE within the prescribed timeframe after the relevant Issue Date in accordance with the PBOC Circular (the “**PBOC Post-issue Filing**”). The Bank shall complete the PBOC Post-issue Filing and obtain such document(s) evidencing due filing with the PBOC and/or SAFE within the prescribed timeframe (if any) and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Bank shall within 15 PRC Business Days after completion of such PBOC Post-issue Filing give notice to the Noteholders and Couponholders in accordance with Condition 20 (*Notices*).
- (e) *Reporting to the NAFR:* Where the NAFR Measures applies to the Tranche of Notes to be issued, the Bank undertakes to complete the reporting in connection with such Tranche of Notes to the NAFR (if

applicable) within the prescribed timeframe after the relevant Issue Date in accordance with the NAFR Approval (the “**NAFR Reporting**”). The Bank shall complete the NAFR Reporting and obtain such document(s) evidencing due reporting with the NAFR within the prescribed timeframe (if any) and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Bank shall within 15 PRC Business Days after completion of such NAFR Reporting give notice to the Noteholders and Couponholders in accordance with Condition 20 (*Notices*).

- (f) *Reporting to the PBOC*: Where the PBOC Service Guidance applies to the Tranche of Notes to be issued, the Bank undertakes to complete the reporting in connection with such Tranche of Notes to the PBOC (if applicable) within the prescribed timeframe after the relevant Issue Date in accordance with the PBOC Approval (the “**PBOC Reporting**”). The Bank shall complete the PBOC Reporting and obtain such document(s) evidencing due reporting with the PBOC within the prescribed timeframe (if any) and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Bank shall within 15 PRC Business Days after completion of such PBOC Reporting give notice to the Noteholders and Couponholders in accordance with Condition 20 (*Notices*).

6 Fixed Rate Note Provisions

- (a) *Application*: This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest*: The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Notes accruing interest otherwise than a Fixed Coupon Amount*: This Condition 6(d) shall apply to Notes which are Fixed Rate Notes only where the Pricing Supplement for such Notes specify that the Interest Payment Dates are subject to adjustment in accordance with the Business Day Convention specified therein. The amount of interest payable in respect of each Note for any Interest Period for such Notes shall be calculated by the Calculation Agent by multiplying the product of the Rate of Interest for such Interest Period and the Calculation Amount by the relevant Day Count Fraction, and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. The Calculation Agent shall cause the relevant amount of interest and the relevant Interest Payment Date to be notified to the Issuer, the Fiscal Agent, the CMU Lodging and Paying Agent, the Registrar (in the case of Registered Notes), the Noteholders and the Couponholders in accordance with Condition 20 (*Notices*) and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so requires, such exchange or other relevant authority as soon as possible after their determination or calculation but in no event later than

the fourth Business Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange or other relevant authority.

- (e) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

So long as the Notes are represented by a Global Note or Global Note Certificate, interest shall be calculated in respect of any period by applying the Rate of Interest to the total aggregate outstanding nominal amount of the Notes represented by such Global Note or Global Note Certificate and not by reference to the Calculation Amount.

7 Floating Rate Note Provisions and Index-Linked Interest Note Provisions

- (a) *Application:* This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination (other than Floating Rate Notes which reference SOFR or SOFR Compounded Index):* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be (other than in respect of Notes for which SOFR, SOFR Compounded Index or any related index is specified as the Reference Rate in the relevant Pricing Supplement) determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

- (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period,
- provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Issuer shall appoint an Independent Adviser (as defined in Condition 7(m)(i)) and the Independent Adviser shall, upon taking instructions from the Issuer, determine such rate at such time and by reference to such sources as it determines appropriate;
- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iv) if, in the case of sub-paragraph (i) above, such rate does not appear on that page or, in the case of sub-paragraph (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.
- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) if the Pricing Supplement specify either “2006 ISDA Definitions” or “2021 ISDA Definitions” as the applicable ISDA Definitions:
 - (A) the Floating Rate Option is as specified in the relevant Pricing Supplement;
 - (B) the Designated Maturity, if applicable, is a period specified in the relevant Pricing Supplement;
 - (C) the relevant Reset Date, unless otherwise specified in the relevant Pricing Supplement, has the meaning given to it in the ISDA Definitions;
 - (D) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (1) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (2) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Issuer shall appoint an Independent Adviser and the Independent Adviser shall, upon taking instructions from the Issuer, determine such rate at such time and by reference to such sources as it determines appropriate.

- (E) if the specified Floating Rate Option is an Overnight Floating Rate Option, Compounding is specified to be applicable in the relevant Pricing Supplement and:
 - (1) if Compounding with Lookback is specified as the Compounding Method in the relevant Pricing Supplement then (a) Compounding with Lookback is the Overnight Rate Compounding Method and (b) Lookback is the number of Applicable Business Days specified in the relevant Pricing Supplement;
 - (2) if Compounding with Observation Period Shift is specified as the Compounding Method in the relevant Pricing Supplement then (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Pricing Supplement and (c) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Pricing Supplement; or
 - (3) if Compounding with Lockout is specified as the Compounding Method in the relevant Pricing Supplement then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days specified in the relevant Pricing Supplement and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Pricing Supplement;
- (F) if the specified Floating Rate Option is an Overnight Floating Rate Option, Averaging is specified to be applicable in the relevant Pricing Supplement and:
 - (1) if Averaging with Lookback is specified as the Averaging Method in the relevant Pricing Supplement then (a) Averaging with Lookback is the Overnight Rate Averaging Method and (b) Lookback is the number of Applicable Business Days specified in the relevant Pricing Supplement;
 - (2) if Averaging with Observation Period Shift is specified as the Averaging Method in the relevant Pricing Supplement then (a) Averaging with Observation Period Shift is the Overnight Rate Averaging Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Pricing Supplement and (c) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Pricing Supplement; or
 - (3) if Averaging with Lockout is specified as the Averaging Method in the relevant Pricing Supplement then (a) Averaging with Lockout is the Overnight Rate Averaging Method, (b) Lockout is the number of Lockout Period Business Days specified in the relevant Pricing Supplement and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Pricing Supplement; and
- (G) if the specified Floating Rate Option is an Index Floating Rate Option and Index Provisions are specified to be applicable in the relevant Pricing Supplement, the Compounded Index Method with Observation Period Shift shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days

specified in the relevant Pricing Supplement and (b) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Pricing Supplement;

- (ii) references in the ISDA Definitions to:
 - (A) “**Confirmation**” shall be references to the relevant Pricing Supplement;
 - (B) “**Calculation Period**” shall be references to the relevant Interest Period;
 - (C) “**Termination Date**” shall be references to the Maturity Date; and
 - (D) “**Effective Date**” shall be references to the Interest Commencement Date; and
- (iii) if the Pricing Supplement specify “2021 ISDA Definitions” as being applicable:
 - (A) “Administrator/Benchmark Event” shall be disapplied; and
 - (B) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be “Temporary Non-Publication Fallback – Alternative Rate” in the Floating Rate Matrix of the 2021 ISDA Definitions the reference to “Calculation Agent Alternative Rate Determination” in the definition of “Temporary Non-Publication Fallback – Alternative Rate” shall be replaced by “Temporary Non-Publication Fallback – Previous Day’s Rate”.
- (e) *Index-Linked Interest*: If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.
- (f) *Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)*:
 - (i) This Condition 7(f) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable, Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, and the “Reference Rate” is specified in the relevant Pricing Supplement as being “Compounded SOFR”.
 - (ii) Where “Compounded SOFR” is specified as the Reference Rate in the Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be the Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent on each Interest Determination Date.
 - (iii) For the purposes of this Condition 7(f):

“**Benchmark**” means Compounded SOFR, which is a compounded average of daily SOFR, as determined for each Interest Period in accordance with the specific formula and other provisions set out in this Condition 7(f).

Daily SOFR rates will not be published in respect of any day that is not a U.S. Government Securities Business Day, such as a Saturday, Sunday or holiday. For this reason, in determining Compounded SOFR in accordance with the specific formula and other provisions set forth herein, the daily SOFR rate for any U.S. Government Securities Business Day that immediately precedes one or more days that are not U.S. Government Securities Business Days will be multiplied by the number of calendar days from and including such U.S. Government Securities Business Day to, but excluding, the following U.S. Government Securities Business Day.

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of Compounded SOFR (or the daily SOFR used in the calculation hereof) prior to the relevant SOFR Determination Time, then the provisions under Condition 7(f)(iv) below will apply.

“Compounded SOFR” with respect to any Interest Period, means the rate of return of a daily compound interest investment computed in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards to 0.00001 per cent.):

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

“d” is the number of calendar days in:

- (i) where “Lag” is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

“D” is the number specified in the relevant Pricing Supplement (or, if no such number is specified, 360);

“d_o” is the number of U.S. Government Securities Business Days in:

- (i) where “Lag” is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

“i” is a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

- (i) where “Lag” is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or
- (ii) where “Observation Shift” is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period,

to and including the last U.S. Government Securities Business Day in such period;

“Interest Determination Date” means, in respect of any Interest Period, the date falling “p” U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling “p” U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes are due and payable);

“n_i” for any U.S. Government Securities Business Day “i” in the relevant Interest Period or Observation Period (as applicable), is the number of calendar days from, and including, such U.S. Government Securities Business Day “i” to, but excluding, the following U.S. Government Securities Business Day (“i+1”);

“Observation Period” in respect of an Interest Period means the period from, and including, the date falling “p” U.S. Government Securities Business Days preceding the first day in such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to, but excluding, the date falling “p” U.S. Government Securities Business Days preceding the Interest Payment Date for such Interest Period (or the date falling “p” U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes become due and payable);

“p” for any Interest Period or Observation Period (as applicable) means the number of U.S. Government Securities Business Days specified as the “Lag Period” or the “Observation Period” (as applicable) in the relevant Pricing Supplement or if no such period is specified, five U.S. Government Securities Business Days;

“SOFR” with respect to any U.S. Government Securities Business Day, means:

- (i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator’s Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the **“SOFR Determination Time”**); or
- (ii) Subject to Condition 7(f)(iv) below, if the rate specified in paragraph (i) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator’s Website;

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, or any successor source;

“SOFR_i” means the SOFR for:

- (i) where “Lag” is specified as the Observation Method in the applicable Pricing Supplement, the U.S. Government Securities Business Day falling “p” U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day “i”; or
- (ii) where “Observation Shift” is specified as the Observation Method in the relevant Pricing Supplement, the relevant U.S. Government Securities Business Day “i”; and

“U.S. Government Securities Business Day” means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (iv) If the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Noteholders.

Any determination, decision or election that may be made by the Issuer pursuant to this Condition 7(f)(iv), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

- (i) will be conclusive and binding absent manifest error;
- (ii) will be made in the sole discretion of the Issuer; and
- (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

For the purposes of this Condition 7(f)(iv):

“Benchmark” means, initially, Compounded SOFR, as such term is defined above; **provided that** if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then **“Benchmark”** shall mean the applicable Benchmark Replacement.

“Benchmark Replacement” means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

- (i) the sum of: (A) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (B) the Benchmark Replacement Adjustment;
- (ii) the sum of: (A) the ISDA Fallback Rate and (B) the Benchmark Replacement Adjustment; or
- (iii) the sum of: (A) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (B) the Benchmark Replacement Adjustment;

“Benchmark Replacement Adjustment” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the

timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (iv) in the case of clause (i) or (ii) of the definition of **“Benchmark Transition Event”**, the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (v) in the case of clause (iii) of the definition of **“Benchmark Transition Event”**, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

“ISDA Fallback Adjustment” means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the 2006 ISDA

Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

“ISDA Fallback Rate” means the rate that would apply for derivatives transactions referencing the 2006 ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

“Reference Time” with respect to any determination of the Benchmark means (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

- (v) Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under Condition 7(f)(iv) above will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the CMU Lodging and Paying Agent, and, in accordance with Condition 20 (*Notices*), the Noteholders and Couponholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

- (i) confirming (x) that a Benchmark Transition Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 7(f); and
 - (ii) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of such Benchmark Replacement and/or Benchmark Replacement Adjustment.
- (vi) If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 7(f), the Rate of Interest shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

- (g) *SOFR Compounded Index (Screen Rate Determination):*

This Condition 7(g) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable, Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, and “**SOFR Compounded Index Determination**” is specified in the relevant Pricing Supplement as being applicable.

Where “**SOFR Compounded Index Determination**” is specified in the relevant Pricing Supplement as being applicable, the Rate of Interest for each Interest Period will be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards to 0.00001 per cent.):

$$\left(\frac{\text{SOFR Compounded Index End}}{\text{SOFR Compounded Index Start}} - 1 \right) \times \frac{360}{d}$$

and plus or minus the Margin (if any), all as determined and calculated by the Calculation Agent on each Interest Determination Date, where:

“**d**” is the number of calendar days from (and including) the day on which the relevant SOFR Compounded Index Start is determined to (but excluding) the day on which the relevant SOFR Compounded Index End is determined;

“**Index Days**” means U.S. Government Securities Business Days;

“**Interest Determination Date**” is as specified in the applicable Pricing Supplement, but, unless otherwise specified, means in respect of any Interest Period, the date falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period (or the date falling the Relevant Number of Index Days prior to the Interest Payment Date prior to such earlier date, if any, on which the Notes are due and payable);

“**Relevant Number**” is as specified in the applicable Pricing Supplement, but, unless otherwise specified shall be five;

“**SOFR Compounded Index**” means the Compounded SOFR rate as published at 15:00 (New York time) by Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source;

“**SOFR Compounded Index End**” means the relevant SOFR Compounded Index value on the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period); and

“**SOFR Compounded Index Start**” means the relevant SOFR Compounded Index value on the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period.

If, with respect to any Interest Period, the relevant rate is not published for the SOFR Compounded Index either on the relevant SOFR Compounded Index Start or SOFR Compounded Index End date, then the Calculation Agent shall calculate the rate of interest for that Interest Period as if SOFR Compounded Index Determination was not specified in the applicable Pricing Supplement and as if Compounded SOFR (as defined in Condition 7(f)) (Floating Rate Note Provisions – Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)) had been specified instead in the relevant Pricing Supplement, and “Observation Shift” had been specified as the Observation Method in the relevant Pricing Supplement, and where the Observation Period for the purposes of that definition in Condition

7(f) (Floating Rate Note Provisions – Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)) shall be deemed to be the same as the Relevant Number specified in the relevant Pricing Supplement. For the avoidance of doubt, if a Benchmark Transition Event and its related Benchmark Replacement Date has occurred in respect of SOFR, the provisions of Condition 7(f)(iv) shall apply.

- (h) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. If the relevant Pricing Supplement does not specify any Minimum Rate of Interest and the Rate of Interest as determined by the Calculation Agent according to this Condition 7 is a negative value, the Rate of Interest shall be zero per cent. per annum.
- (i) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (j) *Calculation of other amounts:* If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.
- (k) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer and the Paying Agents as soon as practicable after such determination. Notice thereof shall also promptly be given by the Issuer to the Noteholders and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/ or quotation and if the rules of such authority, stock exchange or quotation system require such notification. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall notify the Issuer and the Paying Agents only of the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination, and the Issuer shall promptly give notice of the same to the Noteholders and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and if the rules of such authority, stock exchange or quotation system require such notification.
- (l) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Bank, the Branch Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

- (m) *Determination of Rate of Interest following acceleration:* If (i) the Notes become due and payable in accordance with Condition 14 (*Events of Default*) and (ii) the Rate of Interest for the Interest Period during which the Notes become due and payable is to be determined by reference to any of Conditions 7(f) (*Floating Rate Note Provisions – Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)*) and 7(g) (*Floating Rate Note Provisions – SOFR Compounded Index (Screen Rate Determination)*), then the final Interest Determination Date shall be the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in the Conditions.
- (n) *Benchmark Replacement (Independent Adviser) (other than Floating Rate Notes which reference SOFR or SOFR Compounded Index):* Other than in respect of Notes for which SOFR or SOFR Compounded Index is specified as the Reference Rate in the relevant Pricing Supplement, notwithstanding the provisions of Condition 7(c), if the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event has occurred (or will occur on or prior to the Interest Determination Date relating to the next succeeding Interest Period), when the Rate of Interest (or any relevant component part thereof) remains to be determined by reference to the Reference Rate, then the following provisions shall apply:
- (i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of a Successor Rate or, alternatively, if the Independent Adviser and the Issuer agree that there is no Successor Rate, an alternative rate (the "**Alternative Benchmark Rate**") and, in either case, an alternative screen page or source (the "**Alternative Relevant Screen Page**") and the applicable Adjustment Spread, all by no later than three (3) Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**Interest Determination Cut-off Date**") for purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 7(n)).
 - (ii) In the absence of bad faith or fraud, neither the Issuer nor any Independent Adviser shall have any liability whatsoever to the Fiscal Agent, the Calculation Agent or the Noteholders for any determination made by it pursuant to this Condition 7(n);
 - (iii) the Alternative Benchmark Rate shall be such rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the Reference Rate in customary market usage for the purposes of determining floating rates of interest in respect of eurobonds denominated in the Specified Currency, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;
 - (iv) if the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser and the Issuer cannot agree upon, or cannot select a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page prior to the Interest Determination Cut-off Date in accordance with sub-paragraph (i) and (ii) above, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine which (if any) rate has replaced the Reference Rate in customary market usage for purposes of determining floating rates of interest in respect of eurobonds denominated in the Specified Currency, or, if it determines that there is no such rate, which (if any) rate is most comparable to the Reference Rate, and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; provided, however, that if this sub-paragraph (iii) applies and the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the Interest

Determination Date relating to the next succeeding Interest Period in accordance with this sub-paragraph (iii), the Reference Rate applicable to such Interest Period shall be equal to the Reference Rate for a term equivalent to the relevant Interest Period published on the Relevant Screen Page as at the last preceding Interest Determination Date. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period, and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(n);

- (v) if a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page (in each case as adjusted by the applicable Adjustment Spread determined as provided in sub-paragraph (v) below) shall subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the subsequent operation of this Condition 7(n));
- (vi) if a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page is determined in accordance with the preceding provisions, the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, shall determine (A) the Adjustment Spread to be applied to the Successor Rate or Alternative Benchmark Rate (as applicable) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, and such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of the Rate of Interest and Interest Amount(s) (or a component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate;
- (vii) if a Successor Rate or an Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread is determined in accordance with the above provisions, the Independent Adviser (with the Issuer's agreement) or, failing which, the Issuer, may also specify changes to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, as are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of the Successor Rate, Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**"), which changes shall (subject to the subsequent operation of this Condition 7(n)) apply to the Notes for all future Interest Periods, without any requirement for the consent or approval of Noteholders;
- (viii) the Issuer shall promptly following the determination of any Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page and Adjustment Spread give notice thereof and of any Benchmark Amendments pursuant to sub-paragraph (vi) above to the Calculation Agent, the Fiscal Agent and the Noteholders in accordance with Condition 20 (*Notices*); and
- (ix) no later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:
 - (A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Benchmark Rate and, (z) the relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(n); and

- (B) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of such relevant Successor Rate, Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread.

The Successor Rate or Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination thereof) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the other Paying Agents and the Noteholders.

For the purposes of this Condition 7(n):

- (i) **“Adjustment Spread”** means either a spread (which may be positive, negative or zero) or a formula or methodology for calculating a spread, which in each case is to be applied to the relevant Successor Rate or the relevant Alternative Benchmark Rate (as applicable), and is the spread, formula or methodology which:
 - (A) in the case of a Successor Rate, is formally recommended or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
 - (B) in the case of a Successor Rate for which no such recommendation has been made, or option provided, or in the case of an Alternative Benchmark Rate, is the spread, formula or methodology which the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, determines to be appropriate as a result of the replacement of the Reference Rate with the Successor Rate or Alternative Benchmark Rate;
- (ii) **“Benchmark Event”** means:
 - (A) the Reference Rate has ceased to be published for a period of at least five Business Days; or
 - (B) the making of a public statement by the administrator of the Reference Rate that it has ceased, or will cease, publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or
 - (C) the making of a public statement by the supervisor of the administrator of the Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued; or
 - (D) the making of a public statement by the supervisor of the administrator of the Reference Rate that means that such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in circumstances where the same shall be applicable to the Notes; or
 - (E) the making of a public statement by the supervisor of the administrator of the Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of its underlying market, in circumstances where the same shall be applicable to the Notes; or
 - (F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made

to any Noteholder using the Reference Rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable),

provided that in the case of paragraphs (B) to (E) above, the Benchmark Event shall occur on:

- (1) in the case of (B) above, the date of the cessation of the publication of the Reference Rate;
- (2) in the case of (C) above, the discontinuation of the Reference Rate;
- (3) in the case of (D) above, the date on which the Reference Rate is prohibited from use or becomes subject to restrictions or adverse consequences (as applicable); or
- (4) in the case of (E) above, the date on which the Reference Rate is deemed no longer to be representative,

and not (in any such case) the date of the relevant public statement (unless the date of the relevant public statement coincides with the relevant date in (1), (2), (3) or (4) above, as applicable);

(iii) “**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

(iv) “**Successor Rate**” means the reference rate (and related alternative screen page or source, if available) that is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

8 Zero Coupon Note Provisions

- (a) *Application:* This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note

up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issuer has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9 Dual Currency Note Provisions

- (a) *Application:* This Condition 9 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10 Redemption and Purchase

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*).
 - (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (unless the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable), on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:
 - (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided for or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 13 (*Taxation*)) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
 - (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,
- provided, however, that no such notice of redemption shall be given earlier than:
- (1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due; or
 - (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would

be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10(b), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/ or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Pricing Supplement), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may

have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

- (f) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (*Scheduled redemption*) to 10(e) (*Redemption at the option of Noteholders*) above.
- (g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase:* The Branch Issuer, the Bank or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Branch Issuer, the Bank or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11 Payments – Bearer Notes

This Condition 11 is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.*

- (d) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (e) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto.
- (f) *No commissions chargeable:* No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (g) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “Relevant Coupons”) being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.
- (h) *Unmatured Coupons void:* If the relevant Pricing Supplement specifies that this Condition 11(g) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are

applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

- (i) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (j) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (k) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (l) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12 Payments – Registered Notes

This Condition 12 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the 15th day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the 15th day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of interest payable on redemption) upon

surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (Taxation), any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (Taxation)) any law implementing an intergovernmental approach thereto.
- (d) *No commissions chargeable:* No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.
- (f) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (g) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the relevant Registrar’s Specified Office on the fifth Business Day (in the case of Renminbi) and the 15th day (in the case of a currency other than Renminbi, whether or not such 15th day is a Business Day) before the due date for such payment (the “**Record Date**”). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

So long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, CMU or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

13 Taxation

- (a) *No tax withholding save as required by law:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Tax Jurisdiction or any political subdivision therein or any authority therein or thereof having power to tax, unless such withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.
- (b) *Withholding for PRC enterprise income tax:* Where such withholding or deduction is made by the Issuer as a result of the Issuer being deemed to be a PRC tax resident by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax at the rate applicable in the PRC on the date of issue of the first Tranche of the Notes (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by the Noteholders and Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.
- (c) *Additional Tax Amounts:* In the event that the Issuer is required to make a deduction or withholding (i) by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax in excess of the Applicable Rate; or (ii) by or within a Tax Jurisdiction (other than the PRC), the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Note or Coupon:
 - (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
 - (ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.
- (d) *Taxing jurisdiction:* If any Issuer becomes subject at any time to any taxing jurisdiction other than the Tax Jurisdiction(s), references in these Conditions to the Tax Jurisdiction(s) shall be construed as references to the Tax Jurisdiction(s) and/or such other jurisdiction.

14 Events of Default

If any of the following events occurs:

- (a) *Non-payment:* the Issuer fails to pay any amount of principal or interest in respect of the Notes on the due date for payment thereof and in the case of interest, such failure continues for a period of seven days; or
- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Deed of Covenant or the Agency Agreement and such default remains unremedied for 45 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(c) *Cross-acceleration of Bank or Subsidiary:*

- (i) any indebtedness for money borrowed of the Bank or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such indebtedness for money borrowed becomes due and payable prior to its stated maturity otherwise than at the option of the Bank or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness for money borrowed or raised; or
- (iii) the Bank or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee or indemnity of any indebtedness for money borrowed,

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee or indemnity referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.\$25,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Bank or any of its Principal Subsidiaries; or
- (e) *Insolvency etc:* (i) the Bank or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Bank or any of its Principal Subsidiaries or the whole or a material part of the undertaking, assets and revenues of the Bank or any of its Principal Subsidiaries, (iii) the Bank or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee or indemnity of any indebtedness given by it or (iv) the Bank or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, except (x) in the case of any Subsidiary of the Bank, where the cessation is for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, merger or consolidation whereby the business, undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Bank and/or another Subsidiary, or (y) on terms approved by an Extraordinary Resolution of the Noteholders; or
- (f) *Winding up etc:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Bank or any of its Principal Subsidiaries; or
- (g) *Analogous event:* any event occurs which under the laws of the relevant Tax Jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) (*Security enforced*) to (f) (*Winding up etc*) above; or
- (h) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant,

then any Noteholder may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality. Notice of any such declaration shall promptly be given by the Issuer to the Noteholders and Couponholders in accordance with Condition 20 (*Notices*). In any event, the Issuer shall notify the Fiscal Agent, the Noteholders and Couponholders promptly upon becoming aware of the occurrence of any Event of Default.

15 Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16 Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the relevant Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17 Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Fiscal Agent, CMU Lodging and Paying Agent, Principal Registrar, CMU Registrar or Calculation Agent and additional or successor Paying Agents; provided, however, that:

- (a) the Issuer shall at all times maintain a Fiscal Agent and a Principal Registrar;
- (b) the Issuer shall at all times maintain a CMU Lodging and Paying Agent and a CMU Registrar in relation to Notes accepted for clearance through the CMU;
- (c) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

18 Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of not less than 90 per cent. of the Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders or Couponholders, to any such modification unless (i) it is of a formal, minor or technical nature, (ii) it is made to correct a manifest error or (iii) it is a modification which neither contradicts these Conditions nor is materially prejudicial to the interests of the Noteholders. Any determination as to material prejudice applying to the interests of the Noteholders pursuant to this Condition 18 shall be made by the Bank and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination.
- (c) In addition, pursuant to Condition 7(f) (*Floating Rate Note Provisions – Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)*) and Condition 7(n) (*Floating Rate Note Provisions – Benchmark Replacement (Independent Adviser) (other than Floating Rate Notes which reference SOFR or SOFR Compounded Index)*), certain changes may be made to the interest calculation provisions of the Floating Rate Notes in the circumstances and as otherwise set out in such Condition, without the requirement for consent of the Noteholders or the Couponholders.

19 Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and, if applicable, the timing for notification or, as the case may be, reporting to the NDRC, the PBOC, SAFE, NAFR and/or such other applicable competent authority) so as to form a single series with the Notes.

20 Notices

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Journal or, if such publication is not practicable, in an English and/or Chinese language newspaper, as the case may be, with general

circulation in Hong Kong. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

- (b) *Registered Notes*: Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, notices to the Holders of Registered Notes shall be valid if published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Journal or, if such publication is not practicable, in an English and/or Chinese language newspaper, as the case may be, with general circulation in Hong Kong. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of (i) Euroclear or Clearstream, or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions, or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU.

21 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23 Governing Law and Jurisdiction

- (a) *Governing law:* The Notes, the Deed of Covenant and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Deed of Covenant and the Agency Agreement are governed by English law.
- (b) *Jurisdiction:* The courts of Hong Kong have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes, the Deed of Covenant and the Agency Agreement.
- (c) *Appropriate forum:* The Issuer agrees that the courts of Hong Kong are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Service of process:* The Issuer agrees that the documents which start any proceedings relating to a Dispute (“**Proceedings**”) and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the principal place of business of Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch at 30/F., SPD Bank Tower, One Hennessy, 1 Hennessy Road, Hong Kong, or to such other person with an address in Hong Kong and/or at such other address in Hong Kong as the Issuer may specify by notice in writing to the Noteholders. Nothing in this Condition 23(d) shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition 23(d) applies to Proceedings in Hong Kong and to Proceedings elsewhere.
- (e) *Consent to enforcement etc.:* The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.
- (f) *Waiver of immunity:* To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank believes to be reliable, but none of the Bank nor any Dealer or the Arrangers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Bank nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, amongst other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system’s rules and procedures.

CMU

The CMU is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (“**CMU Members**”) of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, “**CMU Instruments**”) which are specified in the reference manual relating to the operation of the CMU issued by the HKMA to CMU Members, as amended from time to time (the “**CMU Reference Manual**”) as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU’s custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the “**income proceeds**”) by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a

corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

An investor holding an interest through an account with either Euroclear or Clearstream, in any Notes held in the CMU, will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

Book-Entry Ownership

Bearer Notes

The Bank has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Bank may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream.

Registered Notes

The Bank may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Note Certificate. The Bank may also apply to have Notes to be represented by a Global Note Certificate accepted for clearance through the CMU. Each Global Note Certificate will have an International Securities Identification Number (“**ISIN**”) and a Common Code. Investors in Notes of such Series may hold their interests in a Global Note Certificate through Euroclear, Clearstream or the CMU (if applicable).

Each Global Note Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Note Certificate, as set out under “*Subscription and Sale*”.

All Registered Notes will initially be in the form of a Global Note Certificate. Individual Certificates will be available, in the case of Notes initially represented by a Global Note Certificate, in amounts specified in the applicable Pricing Supplement.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”) and/or a sub-custodian for the HKMA as operator of the CMU and/or any other relevant clearing system.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent or the CMU Lodging and Paying Agent; and
- (ii) receipt by the Fiscal Agent or the CMU Lodging and Paying Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership or the CMU Issue Position Report (as defined in the rules of the CMU) **provided, however, that** in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (Local Time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (Local Time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (Local Time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form (“**Definitive Notes**”):

- (a) on the expiry of such period of notice as may be specified in the Pricing Supplement; or
- (b) at any time, if so specified in the Pricing Supplement; or
- (c) if the Pricing Supplement specifies “in the limited circumstances specified in the Permanent Global Note”, then if either of the following events occurs:
 - (i) Euroclear or Clearstream or the HKMA as operator of the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent and the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (Local Time) on the 30th day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (Local Time) on such 30th day (in the case of (a) above) or at 5.00 p.m. (Local Time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (Local Time) on such due date (in the case of (c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent or the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (Local Time) on the 30th day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (Local Time) on such 30th day (in the case of (a) above) or at 5.00 p.m. (Local Time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

- (b) at any time, if so specified in the relevant Pricing Supplement; or
- (c) if the relevant Pricing Supplement specifies “in the limited circumstances specified in the Permanent Global Note”, then if either of the following events occurs:
 - (i) Euroclear or Clearstream or the HKMA as operator of the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent or the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (Local Time) on the 30th day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (Local Time) on such 30th day (in the case of (a) above) or at 5.00 p.m. (Local Time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (Local Time) on such due date (in the case of (c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream and/or CMU and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or CMU and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code.”

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form (“**Individual Note Certificates**”); or a global note in registered form (a “**Global Note Certificate(s)**”), in each case as specified in the relevant Pricing Supplement.

Each Note represented by a Global Note Certificate will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream and/or, in respect of CMU Notes, a sub-custodian for the HKMA as operator of the CMU and/or any other relevant clearing system, and the relevant Global Note Certificate will be deposited on or about the issue date with the common depository for Euroclear and/or Clearstream and/or, in respect of CMU Notes, or a sub-custodian for the HKMA as operator of the CMU and/or any other relevant clearing system.

If the relevant Pricing Supplement specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Pricing Supplement specifies the form of Notes as being “Global Note Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (b) at any time, if so specified in the relevant Pricing Supplement; or
- (c) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Global Note Certificate”, then if either of the following events occurs:
 - (i) Euroclear or Clearstream or the HKMA as operator of the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, the relevant Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Principal Registrar or the CMU Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be

registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the specified office of the relevant Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Principal Registrar or the CMU Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (Local Time) on the 30th day after they are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or
- (b) any of the Notes evidenced by a Global Note Certificate has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Note Certificate on the due date for payment in accordance with the terms of the Global Note Certificate,

then, at 5.00 p.m. (Local Time) on such 30th day (in the case of (a) above) or at 5.00 p.m. (Local Time) on such due date (in the case of (b) above) each person shown in the records of Euroclear and/or Clearstream and/or the CMU operator (or any other relevant clearing system) as being entitled to interest in the Notes (each an "**Accountholder**") shall acquire under the Deed of Covenant rights of enforcement against the relevant Issuer ("**Direct Rights**") to compel the relevant Issuer to perform its obligations to the Holder of the Global Note Certificate in respect of the Notes represented by the Global Note Certificate, including the obligation of the relevant Issuer to make all payments when due at any time in respect of such Notes in accordance with the Conditions as if such Notes had (where required by the Conditions) been duly presented and surrendered on the due date in accordance with the Conditions.

The Direct Rights shall be without prejudice to the rights which the Holder of the Global Note Certificate may have under the Global Note Certificate and under the Deed of Covenant. Payment to the Holder of the Global Note Certificate in respect of any Notes represented by the Global Note Certificate shall constitute a discharge of the relevant Issuer's obligations under the Notes and the Deed of Covenant to the extent of any such payment and nothing in the Deed of Covenant shall oblige the relevant Issuer to make any payment under the Notes to or to the order of any person other than the Holder of the Global Note Certificate.

As a condition of any exercise of Direct Rights by an Accountholder, such Accountholder shall, as soon as practicable, give notice of such exercise to the Holders of the Notes of the same Series in the manner provided for in the Conditions or the Global Note Certificate for notices to be given by the relevant Issuer to Noteholders.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which complete those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Summary of Provisions relating to the Notes while in Global Form

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the HKMA as operator of the CMU, will be that depositary, common depositary or sub-custodian, as the case may be.

In relation to any Tranche of Notes represented by a Global Note Certificate, references in the Terms and Conditions of the Notes to “Noteholder” are references to the person in whose name such Global Note Certificate is for the time being registered in the Register which, for so long as the Global Note Certificate is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the HKMA as operator of the CMU, will be such depositary or common depositary (or a nominee for such depositary or common depositary, or such sub-custodian), as the case may be.

Each of the persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as the holder of a Note represented by a Global Note or a Global Note Certificate must look solely to Euroclear and/or Clearstream and/or such other relevant clearing system (as the case may be) for his share of each payment made by the relevant Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such clearing system (as the case may be). The extent to which, and the manner in which, such persons may exercise any rights arising under the Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, such persons shall have no claim directly against the relevant Issuer in respect of payments due under the Notes for so long as the Notes are represented by such Global Note or Global Note Certificate and such obligations of the relevant Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate.

If a Global Note or a Global Note Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Note Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Note Certificate and the relevant Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Note Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Note Certificate must look solely to the CMU for his share of each payment so made by the relevant Issuer in respect of such Global Note or Global Note Certificate.

Conditions applicable to Global Notes and Global Note Certificates

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Note Certificate (except with respect to Global Note held through the CMU) which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of

payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer shall procure that the payment is noted in a schedule thereto.

Calculation of Interest: The calculation of any interest amount in respect of Notes represented by the Global Note or Global Note Certificate will be calculated on the aggregate outstanding nominal amount of the Notes represented by the Global Note or Global Note Certificate and not by reference to the Calculation Amount.

Payment Business Day: In the case of a Global Note, or a Global Note Certificate, the applicable Payment Business Day shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “Clearing System Business Day” means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

In respect of a Global Note or Global Note Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Note Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Note Certificate shall be required for such purpose. For the purposes of this paragraph, “Clearing System Business Day” means a day on which the CMU is operating and open for business.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), the bearer of the Temporary Global Note or Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and the Put Option Notice, give written notice of such exercise to the Fiscal Agent or (as the case may be) the CMU Lodging and Paying Agent in accordance with the rules and procedures of the relevant clearing system, specifying the principal amount of Notes in respect of which the relevant put option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Issuer*) in relation to some only of the Notes, where such Notes are held with Euroclear and/or Clearstream or the CMU, the Temporary Global Note or Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the relevant Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream or the CMU (as the case may be) (to be reflected in the records of Euroclear and Clearstream or the CMU (as the case may be) as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, (i) deposited with a depositary or a common depositary for Euroclear and/or Clearstream

and/or any other relevant clearing system (other than the CMU, in respect of which see (ii) below), notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system or (ii) deposited with a sub-custodian for the CMU, notices to the holders of Notes of the relevant Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[MiFID II Product Governance/Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]* Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR Product Governance/Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]* Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

[Prohibition of Sales to EEA Retail Investors] – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**EU Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[Prohibition of Sales to UK Retail Investors] – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law

by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[Singapore Securities and Futures Act Product Classification – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).]¹

[Paragraph 21 of the Hong Kong SFC Code of Conduct – As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of Notes, prospective investors should refer to the section on “*Important Notice to Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct*” appearing on pages [●] to [●] of the Offering Circular, and CMIIs (as defined in the Offering Circular) should refer to the section on “*Important Notice to CMIIs (including private banks) Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct*” appearing on pages [●] to [●] of the Offering Circular.]

This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only.

The HKSE has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme or the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of Shanghai Pudong Development Bank Co., Ltd. (the “Bank”), the Issuer (as defined below), the Bank and its subsidiaries (the “Group”), the Bank’s U.S.\$5,000,000,000 Medium Term Note Programme (the “Programme”), or the Notes (as defined below) or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

Notice to Hong Kong investors: The Issuer and the Bank confirm that the Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited (the “HKSE”) on that basis. Accordingly, the Issuer and the Bank confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Offering Circular dated [date] (read together with this Pricing Supplement) includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Bank and the Group. The Issuer and the Bank accept full responsibility for the accuracy of the information contained in this Pricing Supplement and

¹ For any Notes to be offered to Singapore investors, the Issuer to consider classification of the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Pricing Supplement dated [●]

SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD./

[specify relevant branch] (the “Issuer”)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] due [●] (the “Notes”)

under the U.S.\$5,000,000,000 Medium Term Note Programme

Legal Entity Identifier (LEI) Code of the Bank: 300300C1031031001330

This document constitutes the pricing supplement (the “Pricing Supplement”) relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “Conditions”) set forth in the offering circular dated [date] (the “Offering Circular”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular and the documents incorporated by reference thereto [and the supplemental Offering Circular dated [date]].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “Conditions”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the pricing supplement of the Notes and must be read in conjunction with the Offering Circular dated [date] and the documents incorporated by reference thereto [and the supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[The following language applies if the Notes are intended to be Qualifying Debt Securities for the purposes of the Income Tax Act, Chapter 134 of Singapore.]

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any of the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the “ITA”), shall not apply if such person acquires such Notes using the funds and profits of such person’s operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.]

1	Issuer:	Shanghai Pudong Development Bank Co., Ltd./[specify relevant branch as Issuer]
2	[(i) Series Number:]	[●]
	(ii) Tranche Number:	[●] <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).</i>

(iii) Date on which the Notes become fungible	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the <i>[identify earlier Tranches]</i> on <i>[[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below [which is expected to occur on or about [●]]].</i>]
3 Specified Currency or Currencies:	[●]
4 Aggregate Nominal Amount:	[●]
(i) [Series]:	[●]
(ii) Tranche:	[●]
5 (i) Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (<i>in the case of fungible issues only, if applicable</i>)]
(ii) Net proceeds:	[●] (<i>Required only for listed issues</i>)
6 (i) Specified Denominations ^{1 2 3} :	[●]
(ii) Calculation Amount:	[●]
7 (i) Issue Date:	[●]
(ii) Interest Commencement Date:	[Specify/Issue Date/Not Applicable]
8 Maturity Date:	[Specify date or (<i>for Floating Rate Notes</i>) <i>Interest Payment Date falling in or nearest to the relevant month and year</i>]⁴ [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.]
9 Interest Basis:	[[●] per cent. Fixed Rate]

¹ Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

² If the specified denomination is expressed to be EUR100,000 or its equivalent in other currencies and multiples of a lower principal amount (for example EUR1,000), insert the additional wording as follows: EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]. No Notes in definitive form will be issued with a denomination above [EUR199,000]. In relation to any issue of the Notes which are a “Global Note exchangeable for Definitive Notes” in circumstances other than “in the limited circumstances specified in the Global Notes”, such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.

³ For so long as any Notes are listed on The Stock Exchange of Hong Kong Limited (the “HKSE”) and the rules of the HKSE so require, such Notes are required to have a denomination of at least HK\$500,000 (or its equivalent in other currencies).

For so long as any Notes are listed on the Singapore Exchanges Securities Trading Limited (the “SGX-ST”) and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of at least S\$200,000 (or its equivalent in other currencies).

⁴ Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

- [[Specify reference rate] +/- [●] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (*Specify*)]
 (further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par][Index Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (*Specify*)]
- 11 Change of Interest or Redemption/
 Payment Basis: [*Specify details of any provision for convertibility of the
 Notes into another interest or redemption/payment
 basis*]
- 12 Put/Call Options: [Investor Put]
 [Issuer Call]
 [(*further particulars specified below*)]
- 13 [Date of [Board] approval for issuance
 of Notes obtained] [●]
 (*N.B. Only relevant where Board (or similar)
 authorisation is required for the particular tranche of
 Notes*)
- 14 Listing: [The Stock Exchange of Hong Kong Limited
 (“**HKSE**”)/the Singapore Exchange Securities Trading
 Limited (the “**SGX-ST**”)/Other (specify)/None] (*For
 Notes to be listed on the HKSE, insert the expected
 effective listing date of the Notes*)
- 15 Method of distribution: [Syndicated/Non-syndicated]
- 16 [Date of regulatory approval for
 issuance of Notes obtained: Pre-issuance registration certificate/NDRC approval
 dated [●] from the NDRC/NAFR approval dated [●]
 from the NAFR/PBOC approval dated [●] from the
 PBOC]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 17 **Fixed Rate Note Provisions** [Applicable/Not Applicable]
 (*If not applicable, delete the remaining sub-paragraphs
 of this paragraph*)
- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-
 annually/quarterly/monthly/other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify
 Business Day Convention and any applicable Business
 Centre(s) for the definition of “Business Day”*]/not
 adjusted]¹

¹ Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to adjustment in accordance with the Modified Following Business Day Convention.

(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount ¹
(iv) Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]]/[Not Applicable]
(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/Actual/365 (Fixed)/other]
(vi) Determination Dates:	[[●] in each year <i>(insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))</i>]
(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
18 Floating Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Interest Period(s):	[●]
(ii) Specified Period:	[●] <i>(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)</i>
(iii) Specified Interest Payment Dates:	[●] <i>(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”)</i>
(iv) First Interest Payment Date:	[●]
(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]
(vi) Additional Business Centre(s):	[Not Applicable/give details]
(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other <i>(give details)</i>]
(viii) Party responsible for calculating the Rate(s) of Interest and/or	[[Name] shall be the Calculation Agent <i>(no need to specify if the Issuing and Paying Agent is to perform this function)</i>]

¹ For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi-denominated Fixed Rate Notes and to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

Interest Amount(s) (if not the Fiscal Agent):

(ix) Screen Rate Determination:

- Reference Rate: *[For example, EURIBOR, CNH HIBOR, SOFR or SOFR Compounded Index]*
- [Observation Method: *[Lag / Observation Shift]*¹
 - o Lag Period: *[5 / [•] U.S. Government Securities Business Days/other (give details)]*
 - o Observation Shift Period: *[5 / [•] U.S. Government Securities Business Days/other (give details)]*
(NB: A minimum of 5 should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent)
 - o D: 360
 - o SOFR Compounded Index Determination: *[Applicable/Not Applicable]*
 - o Relevant Decimal Place: 5 *(subject to the rounding provisions in the Conditions)*
 - o Relevant Number of Index Days²: *[5/[•]] (unless otherwise specified in Pricing Supplement, the Relevant Number shall be 5)]*
- Interest Determination Date(s): *[•]*
- Relevant Screen Page: *[For example EURIBOR 01]*
- Relevant Time: *[For example, 11.00 a.m. London time/Brussels time]*
- Relevant Financial Centre: *[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]*

(x) ISDA Determination: *[Applicable/Not Applicable] (If not applicable delete the remaining sub-paragraphs of this paragraph)*

- ISDA Definitions: *[2006 ISDA Definitions / 2021 ISDA Definitions]*
- Floating Rate Option: *[•]*
- Designated Maturity: *[•]*
(Designated Maturity will not be relevant where the Floating Rate Option is a risk free rate)
- Reset Date: *[•]/[as specified in the ISDA Definitions]/[the first day of the relevant Interest Period, subject to adjustment in accordance with the Business Day Convention set out in [(v)] above and as specified in the ISDA Definitions]*

¹ Observation Method should only be included when SOFR or SOFR Compounded Index is selected as the Reference Rate.

² Index Days is defined in the Conditions as five U.S. Government Securities Business Days.

• Compounding:	[Applicable/Not Applicable] <i>(If not applicable delete the remaining sub-paragraphs of this paragraph)</i>
o Compounding Method:	[Compounding with Lookback] • Lookback: [•] Applicable Business Days [Compounding with Observation Period Shift] • Observation Period Shift: [•] Observation Period Shift Business Days • Observation Period Shift Additional Business Days: [[•] / Not Applicable] [Compounding with Lockout] • Lockout: [•] Lockout Period Business Days • Lockout Period Business Days: [[•]/Applicable Business Days]]
• Index Provisions:	[Applicable/Not Applicable] <i>(If not applicable delete the remaining sub-paragraphs of this paragraph)</i>
o Index Method:	Compounded Index Method with Observation Period Shift • Observation Period Shift: [•] Observation Period Shift Business Days • Observation Period Shift Additional Business Days: [[•] / Not Applicable]
(xi) Linear interpolation:	[Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)]
(xii) Margin(s):	[+/-][•] per cent. per annum
(xiii) Minimum Rate of Interest:	[•] per cent. per annum
(xiv) Maximum Rate of Interest:	[•] per cent. per annum
(xv) Day Count Fraction:	[•]
(xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]/[see Annex]
19 Zero Coupon Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Accrual Yield:	[•] per cent. per annum
(ii) Reference Price:	[•]
(iii) Day Count Fraction in relation to Early Redemption Amount:	[30/360/Actual/Actual (ICMA/ISDA)/other]

	(iv) Any other formula/basis of determining amount payable:	[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(g)]
20	Index-Linked Interest Note/other variable-linked interest Note Provisions:	[Applicable/Not Applicable](If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Index/Formula/other variable:	[give or annex details]
	(ii) Calculation Agent responsible for calculating the interest due:	[•]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[•]
	(iv) Interest Determination Date(s):	[•]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(vi) Interest or calculation period(s):	[•]
	(vii) Specified Period:	[•] (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)
	(viii) Specified Interest Payment Dates:	[•] (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”)
	(ix) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
	(x) Additional Business Centre(s):	[•]
	(xi) Minimum Rate/Amount of Interest:	[•] per cent. per annum
	(xii) Maximum Rate/Amount of Interest:	[•] per cent. per annum
	(xiii) Day Count Fraction:	[•]
21	Dual Currency Note Provisions:	[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [•]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

PROVISIONS RELATING TO REDEMPTION

- 22 **Call Option:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [•]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [•] per Calculation Amount
 - (b) Maximum Redemption Amount: [•] per Calculation Amount
 - (iv) Notice period: [•]
- 23 **Put Option:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [•]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
 - (iii) Notice period: [•]
- 24 **Final Redemption Amount of each Note:** [•] per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]

- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [•]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [•]
- (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: [•]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) [Payment Date]: [•]
- (vii) Minimum Final Redemption Amount: [•] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [•] per Calculation Amount

25 **Early Redemption Amount**

- (i) Early Redemption Amount (Tax) per Calculation Amount payable on redemption for taxation reasons and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable (*if the Early Redemption Amount is the principal amount of the Notes*)/specify the Early Redemption Amount if different from the principal amount of the Notes or specify its method of calculation]
- (ii) Early Termination Amount per Calculation Amount payable on mandatory redemption on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable (*if the Early Termination Amount is the principal amount of the Notes*)/specify the Early Termination Amount if different from the principal amount of the Notes or specify its method of calculation]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26 **Form of Notes:**

Bearer Notes:¹

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes]

¹ Bearer Notes issued in compliance with the D Rules must initially be represented by a Temporary Global Note.

	on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
	[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] ¹
	[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] ²
	Registered Notes:
	[Global Note Certificate exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Note Certificate] ³
27	Additional Financial Centre(s) or other special provisions relating to payment dates: <i>[Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 18(vi) and 20(x) relate]</i> <i>[Also ensure London is a Financial Centre for all Notes in which The Bank of New York Mellon, London Branch acts as Issuing and Paying Agent]</i>
28	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. <i>If yes, give details.</i>]
29	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/ <i>give details</i>]
30	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/ <i>give details</i>]
31	Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]

¹ if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Temporary Global Note shall not be exchangeable on [●] days' notice.

² if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Permanent Global Note shall not be exchangeable on [●] days' notice.

³ if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Global Note Certificate shall not be exchangeable on [●] days' notice.

32	Any applicable currency disruption/fallback provisions:	[Not Applicable/ <i>give details</i>]
33	Other terms or special conditions:	[Not Applicable/ <i>give details</i>]
DISTRIBUTION		
34	(i) If syndicated, names of Managers:	[Not Applicable/ <i>give names</i>]
	(ii) Stabilisation Manager(s) (if any):	[Not Applicable/ <i>give name</i>]
35	If non-syndicated, name and address of Dealer:	[Not Applicable/ <i>give name and address</i>]
36	Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount
37	Private Bank Rebate/Commission:	[Applicable/Not Applicable]
38	U.S. Selling Restrictions:	Reg. S Category [1/2] <i>(In the case of Bearer Notes) – [C RULES/D RULES/TEFRA not applicable]</i> <i>(In the case of Registered Notes) – Not Applicable¹</i>
39	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] <i>(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a KID will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)</i>
	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] <i>(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a KID will be prepared in the UK, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)</i>
40	Additional selling restrictions ² :	[Not Applicable/ <i>give details</i>]
OPERATIONAL INFORMATION		
41	ISIN Code:	[●]
42	Common Code:	[●]
43	CMU Instrument Number:	[●]
44	Any clearing system(s) other than Euroclear/Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/ <i>give name(s) and number(s)</i>]
45	Delivery:	Delivery [against/free of] payment
46	Additional Paying Agent(s) (if any):	[●]

¹ TEFRA not applicable may only be used for Registered Notes, or Bearer Notes with a maturity of 365 days or less (taking into account any unilateral rights to extend or rollover). Bearer Notes with a maturity of more than 365 days (taking into account unilateral rights to extend or rollover) that are held through the CMU must be issued in compliance with the C Rules, unless at the time of issuance the CMU, the CMU Lodging and Paying Agent has procedures in place so as to enable compliance with the certification requirements under the D Rules.

² The Singapore selling restrictions may be amended if sales are made only to institutional or accredited investors.

GENERAL

- 47 Private Bank Rebate/Commission: [Applicable/Not Applicable]
- 48 The aggregate principal amount of the Notes issued has been translated into United States dollars at the rate of [●], producing a sum of (for Notes not denominated in United States dollars): [Not Applicable/U.S.\$[●]]
- 49 Ratings: The Notes to be issued have [not] been rated:
[S&P: [●]]; [Moody's: [●]]; [Fitch: [●]]; [Other: [●]]
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

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- 50 Rebates: [A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable]
- 51 Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: *[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – Overall Coordinators to provide]* / [Not Applicable]
- 52 Marketing and Investor Targeting Strategy: *[As indicated in the Offering Circular]* / *[if different from the Offering Circular]*

[USE OF PROCEEDS]

Give details if different from the “Use of Proceeds” section in the Offering Circular.]

[STABILISATION]

In connection with this issue, [*insert name of Stabilisation Manager*] (the “**Stabilisation Manager(s)**”) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be discontinued at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms [required for [issue and admission to trading on the SGX-ST] / [listing on the HKSE]] of the Notes described herein pursuant to the U.S.\$5,000,000,000 Medium Term Note Programme of Shanghai Pudong Development Bank Co., Ltd.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of:

[SPECIFY ISSUER]

By:
Duly authorised

Name:

Title:

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Bank's consolidated capitalisation and indebtedness as at 31 December 2024. Please read this table in conjunction with the Bank's audited consolidated financial information in respect thereof and the accompanying notes included elsewhere in this Offering Circular.

	As at 31 December 2024
	<i>(RMB in millions)</i>
Liabilities	
Debt securities issued	1,419,972
Other liabilities ⁽¹⁾	7,297,127
Total liabilities	8,717,099
Equity	
Ordinary shares	29,352
Other equity instruments	82,701
Capital reserves	81,921
Other comprehensive income	13,036
Surplus reserves	192,222
General risk reserve	106,696
Retained earnings	230,401
Equity attributable to Bank's shareholders	736,329
Minority interests	8,452
Total equity	744,781
Total capitalisation⁽²⁾	9,461,880

Notes:

(1) Calculated as the difference between total liabilities and debt securities issued.

(2) Total capitalisation equals the sum of total liabilities and total equity.

Save as disclosed in "Recent Developments – 2025 First Quarter Results" in this Offering Circular, there has been no material change in the total capitalisation and indebtedness of the Bank since 31 December 2024.

USE OF PROCEEDS

The net proceeds of any Notes issued under the Programme shall be used for the working capital and general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

DESCRIPTION OF THE BANK

Overview

The Bank is a national joint-stock commercial bank founded on 28 August 1992. The Bank commenced business on 9 January 1993 and was listed on the Shanghai Stock Exchange (Stock Code: 600000.SS) on 10 November 1999, becoming the first commercial bank listed on the Shanghai Stock Exchange following the promulgation of the PRC Securities Law.

The Bank's principal business activities are corporate banking, retail banking and financial market and financial institution business. As at 31 December 2024, the Bank had 42 tier-one branches (including the Hong Kong Branch, Singapore Branch and London Branch) and a total of 1,708 banking outlets, covering 31 provinces, autonomous regions and municipalities directly under the central government, Hong Kong, Singapore and London. The Bank is strategically focused in economically developed areas with higher levels of income, including the Yangtze River Delta region, the Pearl River Delta region, the Beijing-Tianjin-Hebei metropolitan region and the Yangtze River economic zone.

As at 31 December 2022, 2023 and 2024, the Bank held RMB8,704.7 billion, RMB9,007.2 billion and RMB9,461.9 billion in total assets, respectively, RMB4,798.4 billion, RMB4,904.7 billion and RMB5,269.2 billion in net loans and advances to customers, respectively, and RMB4,893.8 billion, RMB5,060.3 billion and RMB5,229.3 billion in total deposits from customers, respectively.¹ For the years ended 2022, 2023 and 2024, the Bank's net profit attributable to shareholders of the Bank amounted to RMB51,171 million, RMB36,702 million and RMB45,257 million, respectively.¹ In June 2024, the Bank ranked 159th on the Forbes Global 2000 list, being 10th among the Chinese banks on the list. In July 2024, the Bank ranked 19th on the Top 1000 World Banks list released by The Banker, being tenth among the Chinese-funded banks on the list. In August 2024, the Bank ranked 292nd on the Fortune Global 500 list, being eighth among the Chinese banks on the list, demonstrating its sound competitiveness. Furthermore, it is one of the few domestic joint-stock commercial banks rated above investment grade by each of the Big Three credit rating agencies. It ranked seventh among the "Top 100 Shanghai Enterprises" and fifth among the "Top 100 Shanghai Service Enterprises" by the Shanghai Enterprise Federation in 2021.

As at the date of this Offering Circular, the Bank has a Long-Term Issuer Default Rating of BBB by Fitch Ratings, issuer credit ratings of BBB (long-term) and A-2 (short-term) by S&P Global Ratings and deposit ratings of Baa2 (long-term) and Prime-2 (short-term) by Moody's Investors Service. All of the Bank's rating outlooks are stable. These ratings reflect the Bank's consistent execution of its business strategy and solid financial performance over the past years.

As a dedicated financial service provider, the Bank is also committed to corporate citizenship and fulfilling its social responsibility. In 2024, the Bank was named an Advanced Institution in the overall evaluation of green banks by the China Banking Association, recognised as an Outstanding Institution for Green Financial Services and received the Excellent Case Award for Green Financial Services by the Shanghai Banking Association. In 2022, the Bank received the "1st Shanghai Charity Awards" under the category of Charitable Enterprises by Shanghai Municipal People's Government. The Bank was also named among the "Fortune China ESG Impact List" by the Fortune magazine in the same year. In 2020, the Bank was granted the "Excellent Case of Social Responsibility Communication" by the China Banking and Insurance News.

¹ These consolidated financial data have been prepared in accordance with IFRS.

The table below sets forth the key financial ratios of the Bank for the periods indicated:

	As at 31 December		
	2022	2023	2024
Return on average total assets (%) ⁽¹⁾	0.62	0.42	0.50
Weighted return on average equity (%) ⁽²⁾	7.98	5.21	6.28
Net interest margin (%) ⁽³⁾	1.77	1.52	1.42
Non-interest income to operating income (%) ⁽⁴⁾	29.13	31.71	32.82
Cost-to-income ratio (%) ⁽⁵⁾	27.89	29.65	29.16

Notes:

- (1) net profit/asset average balance, asset average balance = (total assets at the beginning of the period+ total assets at the end of the period)/2.
- (2) Weighted return on average equity = net profit attributable to ordinary shareholders of the parent company/weighted average net assets attributable to ordinary shareholders of the parent company. It is calculated according to the Rules for Information Disclosure by Companies Offering Securities to the Public No.9 – Calculation and Disclosure of ROE and Earnings Per Share (Revised in 2010).
- (3) Net interest margin = net interest income/average balance of total interest-earning assets. Average balance is average daily balance derived from the Bank's management accounts.
- (4) Non-interest income to operating income = non-interest income/operating income.
- (5) Cost-to-income ratio = general and administrative expenses/operating income.

Milestones

The following are the milestone events in the development history of the Bank:

1992	Established with the approval of the PBOC.
1993	Commenced business on 9 January 1993, with headquarters in Shanghai.
1999	Became the first joint-stock commercial bank to list on the PRC A-share market with the approval of both the PBOC and CSRC.
2002	Became the first publicly-listed PRC bank to introduce foreign strategic investors.
2008	The first SPD Rural Bank was established.
2010	Entered into strategic cooperation with China Mobile Limited (“ China Mobile ”), representing the first strategic cooperation between a commercial enterprise and a financial institution in the PRC. Total assets of the Bank exceeded RMB2,000 billion for the first time, joining the ranks of large and medium banks.
2011	The Hong Kong Branch was established, marking an important first step of the internationalisation of the Bank.
2012	SPDB Financial Leasing Co., Ltd commenced business, witnessing the further transformation of the Bank into a modern financial service institution. SPD Silicon Valley Bank, a joint venture between the Bank and SVB Financial Group (Silicon Valley Bank) (NASDAQ: SIVB), commenced operations, being, at that time,

	the first Sino-foreign bank to be approved for establishment in a period of over ten years.
2013	Ranked in the Fortune 500 for the first time, placing 460th. Among the first batch of banks to be approved for establishing a branch in the China (Shanghai) Pilot Free Trade Zone (“Shanghai FTZ”). The Bank’s first overseas representative office, London representative office, opened. Operating revenue of the Bank exceeded RMB 100 billion for the first time.
2014	First tranche of RMB15 billion 6.00 per cent. preference shares issued in the PRC. The Bank’s first overseas issuance in Hong Kong of 4.08 per cent. bonds in aggregate principal amount of RMB1 billion. The Bank received approval from both the CBRC (now the NAFR) and the SFC to acquire AsiaVest Partners Limited, which was subsequently renamed SPDB International Holdings Limited (“SPDB International”).
2015	Second tranche of RMB15 billion 5.50 per cent. preference shares issued in the PRC. SPDB International commenced operations in Hong Kong as a Hong Kong-incorporated investment bank.
2016	The Bank was the first Chinese financial institution to issue green bonds in China’s interbank bond market, when it issued RMB20 billion of green bonds. The Bank completed acquisition of a 97.33 per cent. equity interest in Shanghai International Trust Co., Ltd. (“Shanghai Trust”) at an aggregate consideration of approximately RMB16.4 billion, paid by way of 999,510,332 ordinary shares issued by the Bank, and Shanghai Trust became the subsidiary of the Bank on the same day. The Bank received approval from the CBRC (now the NAFR) to dispose of its 20 per cent. equity interest in Fubon Bank (China) Co., Ltd. (富邦華一銀行有限公司) to Fubon Bank Co., Ltd. at a consideration of RMB2,133 million. As a result, the Bank no longer holds any equity interest in Fubon Bank (China) Co., Ltd.
2017	The Singapore Branch obtained the bank licence in Singapore and commenced operations in Singapore on 12 April 2017. The establishment of London Branch was authorised in December 2017.
2018	The London Branch commenced operations in February 2018.
2019	Launch of the Bank’s first digital employee “Xiaopu” which is a humanised user interface which provides financial services.
2020	The Bank and Huawei released the Bank of Things White Paper, which first proposed a brand-new financial service model and design system for “intelligent things” in the industry, ushering in a new era of “bank of things” services. The Bank and the Tsinghua University co-founded the Digital FinTech Joint Research Centre in Beijing.
2021	The Bank opened its first overseas innovation centre in Singapore, making Singapore its fintech beachhead to South-east Asia. The Bank and China Academy of Information and Communication Technology co-founded the Digital Finance Innovation Centre.

2022	SPDB Wealth Management commenced operations.
2023	The Bank launched Global Treasury Services (GTS) Solution 2.0.
2024	The Bank launched its first CCER (China Certified Emission Reduction)-linked loan, supporting the development, validation, and verification of voluntary emission reduction projects. The Bank issued the PRC's first sustainable development-linked loan tied to a green computing power index.

Strengths

After years of continuous development, the Bank has grown into a commercial bank with important influence locally and abroad. In July 2024, the Bank ranked 19th on the Top 1000 World Banks list released by The Banker, being tenth among the Chinese-funded banks on the list. In July 2024, the Bank also ranked 159th on the Forbes Global 2000 list, being tenth among the Chinese banks on the list. In August 2024, the Bank ranked 292nd on the Fortune Global 500 list, being eighth among the Chinese-funded banks on the list, demonstrating its sound competitiveness. Furthermore, it is one of the few domestic joint-stock commercial banks rated above investment grade by each of the three renowned credit rating agencies. The Bank has transformed itself from a traditional commercial bank which was dominated by a single capital intermediary into a comprehensive financial group which provides more comprehensive financial services. The Bank's operations cover service areas such as banking, trust, leasing, fund, overseas investment banking, currency brokerage, technology banking, wealth management subsidiaries, and rural banks. In addition, breakthroughs have been made in the domestic and overseas layout of the organisation. The Bank's plan for internationalisation was also significantly accelerated with the Hong Kong Branch, the Singapore Branch and the London Branch operating well while simultaneously promoting the "Belt and Road" and planning to expand within Europe. As at 31 December 2024, the Bank has established branches and banking outlets in 31 provinces, autonomous regions and municipalities directly under the central government, Hong Kong, Singapore and London.

Strong support from substantial shareholders and geographic advantages allow the Bank to establish itself as the flagship Shanghai bank.

Headquartered in Shanghai, the Bank is well positioned to take advantage of the opportunities presented by the development of Shanghai as an international financial centre and to expand its financial institution and financial market business. The Bank enjoys strong long-term support from its largest substantial shareholders, Shanghai International Group Ltd. ("**Shanghai International Group**") and China Mobile Communication Group Guangdong Limited ("**China Mobile Guangdong**"). As one of the main financial platforms of the Shanghai municipal government, the Bank believes that it stands to benefit substantially from and leverage the favourable conditions brought by Shanghai's development as a global financial centre to foster its long-term development. The development of the Shanghai FTZ has also provided growth opportunities for the Bank's corporate banking business. As a result, the Bank is able to directly benefit from the favourable strategies and policies attributable to the reform of state-owned financial assets initiated in Shanghai to promote its business.

The Bank has established itself as an influential commercial bank in the PRC after years of continuous development. As a first-tier joint-equity commercial bank in the PRC, the Bank has developed sound cooperation with its shareholders. In 2018, based on China Mobile's "Big Connection" strategy and the Bank's "Intelligent Connectivity" strategy, the two sides opened a new chapter of strategic cooperation. Adhering to the common aspiration of creating greater value for the Bank's customers and society, the Bank will continue its cooperation with China Mobile to build a new ecosystem together.

The Bank has transformed itself into a comprehensive financial institution. Following the successful acquisition of Shanghai Trust, the Bank has extended its business to cover retail banking, investment banking, trust and fund management, leasing, foreign-currency swaps and other financial services. The Bank has increased its network coverage by enlarging its footprint in China and in foreign countries.

The Bank's strategic cooperation with China Mobile has served as a driver for the Bank's corporate banking business, while the cross-selling opportunities and the sharing of customers, particularly high-end customers, of the Bank and China Mobile have promoted the growth of the Bank's retail banking business. The Bank has also become a pioneer in the mobile banking industry through in-depth cooperation with China Mobile. As the first bank in the PRC to introduce mobile banking, the Bank has led various innovations such as mobile payments, WeChat banking and is actively promoting the adoption of industry-wide standards for mobile banking.

With a focus on more economically developed regions, the Bank has established an extensive distribution network and a diversified service channel throughout the PRC.

The Bank has an extensive distribution network with Shanghai as the business centre. It endeavours to further develop its financial services businesses to keep pace with Shanghai's growth into an international finance hub. Its network is predominantly concentrated in more economically developed regions with higher levels of income including the Yangtze River Delta region, the Pearl River Delta region, the Beijing-Tianjin-Hebei metropolitan region and the Yangtze River economic zone. As at 31 December 2024, the Bank had 42 tier-one branches (including the Hong Kong Branch, Singapore Branch and London Branch) and a total of 1,708 banking outlets, covering 31 provinces, autonomous regions and municipalities directly under the central government, Hong Kong, Singapore and London. As at 31 December 2024, the Bank's private banking customers exceed 49,000 (monthly average daily financial assets of RMB6 million or above), and the financial assets under the Bank's management from private banking customers amounted to approximately RMB690 billion. The Bank has also introduced quality investment products of the Shanghai Trust to optimise its private wealth management products and provide integrated group product services to serve the needs of the Bank's personal high-net-worth and high-end customers who seek customised wealth management services.

To extend the scope of its services, the Bank has also built a diversified service channel through automated teller machines ("ATMs") and its electronic banking service platform. The Bank's extensive distribution network and diversified service channels provide it with the competitive measures and resources for sustainable development.

The Bank has achieved steady development through adopting a customer-oriented strategy.

By adopting a customer-oriented strategy, the Bank has fostered the business growth of its customers, which in turn allows the Bank to expand its corporate and retail banking businesses, achieving steady growth. The Bank has a strong corporate and retail banking customer base. As at 31 December 2024, the Bank had approximately 2.37 million corporate customers and around 157 million personal customers. As at 31 December 2024, the corporate loans (excluding discounted bills) offered by the Bank accounted for 58.97 per cent. of the total loans offered by the Bank, and the personal loans offered by the Bank accounted for 35.04 per cent. of the total loans offered by the Bank. As at 31 December 2024, the total corporate loans (excluding discounted bills) offered by the Group reached RMB3,179.15 billion, up by RMB338.16 billion or 11.90 per cent. as compared with 31 December 2023, and the total retail loans offered by the Group reached RMB1,889.27 billion, up by RMB23.45 billion or 1.26 per cent. as compared with 31 December 2023. The Bank also distinguishes its corporate business by offering innovative and tailor-made catering the needs of its customers' needs, notably in the development of the Bank's international banking business.

The Bank has achieved leading profitability and continues to strengthen its business structure and capital base.

The Bank has maintained its asset quality through various means of realising and managing non-performing assets, with an NPL provision coverage ratio of 186.96 per cent. as at 31 December 2024. As at 31 December 2022, 2023 and 2024, the Bank's NPL were RMB74.62 billion, RMB74.20 billion and RMB73.15 billion, respectively, representing an NPL ratio of 1.52 per cent., 1.48 per cent. and 1.36 per cent., respectively; its total capital adequacy ratio was 13.65 per cent., 12.67 per cent. and 13.19 per cent. respectively. In addition, the Bank strives to enhance its capital adequacy ratio in order to strengthen its risk management capabilities, with the issuance of the Bank's first tranche of RMB15 billion preference shares and the second tranche of RMB15 billion preference shares in the PRC in November 2014 and March 2015, respectively. The Bank also has access to various sources of funding to increase its capital base and support its business development. Over the years, it has issued different types of debt products in the capital markets, including tier 2 capital bonds, convertible bonds and perpetual bonds.

All-round digital operation and continued innovation.

Adhering to the customer-oriented philosophy, the Bank pays close attention to technological innovation, research and development and forges its technological competitiveness.

With years of development, the Bank has rolled out various intelligent technological support for customers. It takes the lead to realise intelligent voice interactive application in the industry and introduces speed recognition, face recognition, fingerprint recognition, etc. It was among the first of its kind in the industry to introduce the i-Counter Smart Counter to support its all-round corporate and retail, cash and non-cash services. Its intelligent wealth management robot system provides mobile internet analysis based on big data and one-key asset diagnosis and open the new era of wealth management and intelligent investment. Its intelligent customer services provide consultation and advice for customers in real time relying on intelligent interaction and knowledge graph analysis. It has launched the first digital finance safety tool "cloud voice and mobile SIM shield" in the industry jointly with strategic partner China Mobile to safeguard customer's assets. It also launched the "Governmental e-loan", characterised by "free deposit, flexible loan and repayment, lending by second", which connects supply chain platform with governmental purchase systems.

The Bank also takes the lead in its innovative cooperation amongst peers. It was the first in the industry to launch an Application Programming Interface ("API") Bank, delivering convenient services, serving the real economy and exploring innovation opportunities in inclusive finance space. The Bank has established six innovation labs with Baidu, Huawei, iFlytek, China Mobile, Temenos and 360 Enterprise Security to perform in-depth research on deep machine learning, open source technology, intelligent Voice User Interface ("VUI"), 5G financial innovation, technology ecosystem and cyber security. It aims to build an Online-to-Offline ("O2O") ecosystem platform integrating digital marketing, service and analysis, providing all-round digital services to small and micro business and end consumers. It strives to enhance industry-university-research-application collaboration and construct a platform for communication, acceleration, investment and incubation. In addition, the Bank has established the Intelligent Financial Innovation Alliance whose first members include Shanghai Clearing House, Baidu, IFLYTEK and etc.

The Bank's experienced management team leads the Bank in maintaining its core competitiveness.

The Bank's management team has an average of over 30 years of experience in the PRC's financial services industry and has a proven track record in asset quality improvement and business development. The Bank believes that its management team is able to lead the Bank in maintaining its core competitiveness and achieving steady development.

Strategy

In 2024, the Bank remained committed to its fundamental mission of supporting the real economy through financial services and embracing a people-centric approach to development. The Bank recognised digital technologies, particularly data elements and artificial intelligence, as key drivers. These technologies were leveraged to efficiently redefine banking operational logic and organisational systems. The Bank also established a digital intelligence strategic framework (“1-5-5-5-4-3”), which injected fresh momentum into the company’s future high-quality and sustainable development. This strategic framework is built around a core “Digitalisation & Intelligentisation” strategy, which drives the integration of technology and intelligence into all aspects of its operations. To achieve this, the Bank focused on five key pathways: technology finance, supply chain finance, inclusive finance, cross-border finance and treasury finance. These pathways served as the main areas for the Bank’s growth and transformation.

Technology Finance

Technology finance ranks first among the five major initiatives identified at the Central Financial Work Conference and has become a key driver in fostering a virtuous cycle between “technology – industry – finance.” As one of the commercial banks that began exploring technology finance service models early on, the Bank positioned technology finance as the primary focus of its digital strategy. The Bank empowered the innovative development of technology enterprises, acting as a critical link within the technology finance ecosystem, a partner bank accompanying the growth of tech companies, and a dedicated supporter of constructing a modern industrial system, thereby strongly contributing to the nation’s goals of achieving high-level technological self-reliance and building a strong tech-oriented country. As at 31 December 2024, the Bank had 71,000 technology finance customers, representing an increase of 42% year-on-year.

In 2024, the Bank introduced, among other things, the “SPD Tech 5+7+X” product system, with “full life cycle, digital intelligence, partnership, and customisation” as its key pillars. This system includes five flagship products – “SPD Startup Loan,” “SPD Investment and Loan,” “SPD Innovation Loan,” “SPD R&D Loan,” and “SPD Tech M&A Loan” – alongside seven core products and multiple adaptable (“X”) products. Together, they form a relay-style product matrix designed to adapt to different regions, customer groups, and industries, providing comprehensive, continuous financial services covering the entire lifecycle of technology enterprises.

The “SPD Tech” product system integrates the Bank’s understanding of the various needs of tech enterprises, including technological innovation, result transformation, commercial operations, investment introduction, and merger and acquisition integration. It directly addressed critical challenges such as breakthroughs in core technologies, the transformation and upgrading of traditional industries, reinforcing and strengthening key industrial chains, fostering development in advanced manufacturing clusters, and cultivating specialised and innovative enterprises. At the same time, in line with trends in digital transformation, the SPD Tech system redefined product accessibility and service processes, allowing the Bank to deliver services for technological innovation and entrepreneurship in a swift, convenient, efficient, and precise manner.

Supply Chain Finance

The wave of digitalisation and intelligence in industrial and supply chains brought new demands for transforming the Bank’s supply chain finance service philosophy. In response to the national call to optimise and upgrade industrial and supply chains, the Bank accelerated the development of its “SPD ChainLink” digital supply chain system. This was achieved by leveraging emerging technologies such as blockchain, big data, and artificial intelligence to enhance its services. As at 31 December 2024, the Bank had 3,890 supply chain finance core clients, representing an increase of 133.77% year-on-year.

The Bank restructured its organisational framework by establishing the “Supply Chain Innovation Department” and forming the dedicated “Trust Chain Project Taskforce” to spearhead advancements. This new organisational

mechanism promoted horizontal collaboration across departments and vertical integration between headquarters and branches, ensuring highly efficient and high-quality management of the supply chain finance sector. It also guaranteed the swift rollout and agile implementation of the digital intelligence strategy in the supply chain finance domain. As a vital component of the digital supply chain system architecture, the company's "SPD Chain e-Finance" platform achieved a significant milestone on 17 April 2024 with the successful issuance of its first "SPD Chain Credit." The platform also provided customers with complementary online financing services under the "SPD ChainLink" brand.

In 2024, the Bank also organised a series of supply chain industry forums under the theme "Supply Chain WE Together, Writing a New Chapter with SPD." These events targeted regional hubs such as Beijing, Guangzhou, Hangzhou, and Xi'an, and brought together clients from industries including manufacturing, energy, pharmaceuticals, construction, and aviation. At these forums, the Bank showcased tailored service solutions provided by its digital supply chain system for different industries, actively integrating the Bank's services into industrial and supply chains, and underscoring the Bank's commitment to supporting the high-quality development of the real economy.

Inclusive Finance

The Bank actively advanced inclusive finance with depth and substance, continuously focusing on the development of digitalised inclusive financial products and services. A specialised digital inclusive finance taskforce was established to create an all-new "4+N+X" digital inclusive product system. By redesigning business processes and restructuring key drivers, the initiative enabled fully data-driven operations, including online application submissions, automated loan approvals, and online repayment options. These innovations addressed the challenges faced by micro and small enterprises, such as difficulty accessing affordable and timely financing. In addition, the Bank worked closely with local governments to establish financing coordination mechanisms for micro and small businesses, enhancing the accessibility and precision of financial services for these enterprises. Through these efforts, the Bank aimed to become the market's preferred value bank for inclusive finance. As at 31 December 2024, the Bank had over 410,000 inclusive finance clients, representing an increase of 31.16% year-on-year.

In addition, the Bank provided a comprehensive suite of financial services that covers the entire lifecycle of inclusive finance, including deposits, loans, remittance, cash management, and wealth management. In collaboration with leading institutions from various industries, the Bank built a digital inclusive finance ecosystem alliance, expanding its network of supportive partnerships and amplifying the influence of its inclusive finance brand. The Bank also established nearly 100 inclusive finance-focused branches and set up centres for micro and small business loans as well as personal lending. These efforts aim to significantly enhance the accessibility and availability of financial services for micro and small enterprises.

Cross-Border Finance

The Bank closely aligned with the nation's strategy for high-level opening-up, supporting initiatives such as the Belt and Road Initiative and Shanghai's "Five Centres" development. From a group-wide perspective, the Bank provided comprehensive services to corporate, institutional, and individual clients, offering a full range of cross-border products and services, encompassing corporate banking, financial markets, treasury management, and cross-border custody. As at 31 December 2024, the number of the Bank's active cross-border finance clients reached 39,385, an increase of 11.65% from the previous year.

Leveraging its group-wide and integrated service advantages, along with multi-platform coordination through its offshore banking, free trade zone finance, overseas branches, and overseas investment banking, the Bank consistently expanded the boundaries of its services. By building a "Cross-Border+" service ecosystem, the Bank supported Chinese enterprises in globalising their operations with high-efficiency, professional, and high-quality financial services tailored to their needs.

In 2024, the Bank launched the “SPD Win Cross-Border” financial service brand, leveraging the integration advantages of its cross-border financial licences and forming a “6+8+X” unified cross-border financial service system. This system focuses on eight key cross-border financial service scenarios, including free trade zone finance, cross-border e-commerce, cross-border risk hedging, cross-border cash management, cross-border M&A, cross-border trade, cross-border asset custody, and cross-border RMB services. The framework is designed to meet the diverse cross-border service needs of enterprises, supporting Chinese companies in “going global” while facilitating the entry of overseas companies into China. This system focused on specialised services such as overseas syndicated loans, cross-border M&A, and cross-border supply chain finance. With increased financial backing, the Bank enhanced its support for enterprises in their “going global” initiatives.

The Bank also developed new cross-border digital products, such as “Cross-Border SPD ChainLink,” “Express Payments,” and “Cross-Border SPD e-Transfers.” It upgraded digital functions for global treasury management and cross-border cash pools. This integrated and digitalised service ecosystem demonstrated the Bank’s commitment to innovation and the delivery of high-quality solutions for cross-border financial needs.

Treasury Finance

The Bank used treasury finance as the core driver to develop its “New SPD, New Retail” strategy, guided by a “scenario-product-channel” operating approach. It established the “135N” retail client management system, effectively integrating personal and corporate banking, fostering public-private client interaction, enhancing group-wide synergy, and linking domestic and international operations. Employing innovative methods centred on platform-based, digitalised, ecological, and specialised development, the company focused on key client segments and service scenarios to achieve its goal of becoming the primary bank for clients’ main accounts.

Focusing on personal clients’ full lifecycle wealth management, the Bank leveraged its treasury finance platform and adhered to an “open, ecological, integrated” management philosophy. It used digital intelligence to drive the interplay of wealth management and asset management cycles, benefiting from the Group’s licences in wealth products, trusts, and funds. By deepening collaboration with leading asset management institutions across the market, the Bank built a dual-ecosystem strategy: the “SPD Group Circle” and the “SPD Partnership Circle,” enabling mutually reinforcing growth in wealth supply and management services.

This approach strengthened the Bank’s product offerings across corporate, personal, and pension wealth management, creating a comprehensive financial product suite to generate value for clients. By doing so, the Bank aimed to deliver tailored financial solutions that supported clients through every stage of their financial journey.

Digital Operation and Continued Innovation

Digitalisation-Empowered Financial Services

Digital Infrastructure

The Bank prioritised digital infrastructure development by adopting an enterprise-level “distributed + cloud” architecture to enhance flexibility and scalability. Key projects included constructing a financial cloud platform with multi-active disaster recovery, redesigning retail and credit card systems, and building a new data centre aligned with China’s “Eastern Data, Western Computing” policy. Data management advances integrated unified storage, computing, and management, while large-scale intelligent platforms enabled model training, inference, and application. These developments, supported by robust data infrastructure for large model services, effectively boosted data management efficiency.

Digital Products

The Bank launched a series of digital products targeting diverse customer segments across business areas, enhancing service capabilities and customer acquisition throughout the customer lifecycle. In technology

finance, the “SPD Tech 5+7+X” system targeted full-cycle, digitalised, and customised solutions. In supply chain finance, the Bank developed digital products like “SPD ChainLink” and “SPD Chain e-Finance.” In the realm of inclusive finance, the Bank introduced the “4+N+X” digital product ecosystem and launched new tools such as “Cross-Border SPD ChainLink” and enhanced treasury functions in the realm of cross-border finance. Retail offerings included “SPD Quick Loan 2.0” with instant credit assessment and “iCar Loans,” which connected over 1,000 car dealerships digitally. Lastly, in treasury finance, the Bank introduced “5+X” digital wealth products such as the “Golden List” service.

Digital Operations

The Bank focused on strengthening its institutional workforce by establishing a digital operations centre aimed at coordinating the design and development of an enterprise-level digital operations platform with three major goals of user growth, service enhancement, and improved user experience. By July 2024, the Bank had formed a cross-department taskforce involving 12 Head Office departments to drive the planning and execution of digital platform operations across the entire organisation, swiftly setting the groundwork for building the digital platform.

Digital Risk Control

The Bank enhanced its risk management and compliance by integrating advanced digital tools and intelligent systems. It implemented an Expected Credit Loss (ECL) tool, built an enterprise-wide model risk management system, which categorised and managed risks across thousands of models across the full business lifecycle. The Bank also introduced smart tools like the “Intelligent Rating System” to provide precise risk quantification for credit decisions and the “Smart Collateral” platform to streamline asset-backed lending. The Bank advanced the construction of a unified audit platform which streamlined compliance and audit processes.

Digital Ecosystem

The Bank enhanced its business ecosystems across its “three pillars”; namely, the strategic, retail, and financial market segments. In the strategic client ecosystem, efforts centred on fostering digital and intelligent collaboration among ecosystem partners. In the retail business ecosystem, the Bank built wealth platforms such as the “Wealth Channel” app, which offered a full range of online wealth services including premier funds, securities, insurance, and financial products. In financial markets, the Bank developed a digital ecosystem for institutional clients, improving data foundations, client insights, and online functionality, achieving significant growth in both customer engagement and transaction volume.

Application of Generative Artificial Intelligence

The Bank established an Artificial Intelligence (AI) system framework to propel its “AI+” strategy ecosystem, integrating data-driven innovation and industry knowledge and deploying advanced AI platforms and large-scale models like DeepSeek-R1 to enhance over 100 application scenarios across six core business domains, including corporate banking, retail banking, financial markets, risk management, operations, and general management, and five major knowledge types, including institutional frameworks, products, processes, case studies, and industry insights. In doing so, the Bank has created a “five-horizontal, six-vertical” knowledge repository.

To support the AI+ strategy ecosystem, the Bank launched eight enterprise-grade AI components, including intelligent Q&A, industry research, interactive reporting, intelligent marketing, smart forms, financial analysis, smart risk management, and legal advisory services. These tools powered ten major AI projects, such as AI-enabled corporate credit, intelligent operations for data review and entry, smart contract review, customer service assistance, expansion of investment banking and M&A services, autonomous financial market operations, inclusive finance applications, intelligent digital marketing and risk control for retail banking, smart platform development under “PuWealth” and smart entity creation.

Intelligent Customer Acquisition

The Bank's AI-supported customer acquisition solutions enabled precise market demand analysis, leveraging sophisticated tools such as 360-degree customer profiling to identify opportunities and uncover potential clients using multi-dimensional data. These tools enhanced the Bank's reach into long-tail customer segments, improved cross-border deposit growth, facilitated product marketing, and supported real economic development. For retail customers, the intelligent recommendations engine offered highly personalised service, generating 800 million real-time recommendations annually, increasing response rates by 30% and enhancing cross-selling in cross-border deposits and SME services.

AI-Powered Risk Control

In risk management, the AI+ ecosystem provided robust real-time monitoring and risk identification capabilities, ensuring precise and swift mitigation measures. In 2024, the system introduced nearly 100 intelligent anti-fraud detection strategies, successfully intercepting RMB279 million in fraudulent transaction funds, safeguarding customer assets, and enhancing operational stability.

Cost Efficiency Optimisation

The integration of AI also drove notable gains in operational efficiency, particularly in cost reduction. For example, the Bank's "Smart Invoice" system automated trade background audits, achieving high-accuracy reconciliation of invoices and contracts. In digital inclusive finance, the "Small Business Credit Due-Diligence AI Report Generator" reduced manual review time by 0.25 days per report and improved due-diligence efficiency by at least 50% in pilot programmes.

Regional Strategies

The Bank is also committed to supporting the nation's major regional strategies, focusing on the Yangtze River Delta, the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze Economic Belt, and the Chengdu-Chongqing Economic Circle, while advancing its "Arrow-Shaped" regional strategy.

In the Yangtze River Delta region, the Bank has leveraged the leadership of its Shanghai branch to drive synergies with Jiangsu, Zhejiang, and Anhui provinces, fostering a new mechanism for cross-regional cooperative development. This effort has strengthened the brand image of the Bank as the "Yangtze River Delta's Home-Grown Bank" and successfully promoted financial integration in the area. As at 31 December 2024, the Bank's total loan balance in the Yangtze River Delta region reached RMB1.84 trillion, representing an increase of over 10 per cent. year-on-year, while total deposits stood at RMB2.31 trillion, up more than 7 per cent. compared to the previous year, placing the Bank among the leading joint-stock banks in terms of loan and deposit scale. In the Beijing-Tianjin-Hebei region, the Bank has focused on innovation-driven development and regional collaboration, capitalising on Beijing's hub of economic activity. The Bank continues to increase support for projects related to new infrastructure construction and industrial transformation in the region. As at 31 December 2024, the total loan balance in the Beijing-Tianjin-Hebei region reached RMB490.37 billion. Meanwhile, in the Guangdong-Hong Kong-Macau region, the Bank has actively contributed to the construction of the Greater Bay Area by supporting major platform initiatives, technological innovation collaborations, infrastructure connectivity, industrial synergy, and livelihood-focused cooperation. As at 31 December 2024, the total loan balance in the Greater Bay Area reached RMB 674.19 billion. In central China, the Bank has tailored its approach to regional economic development by focusing on key projects, priority corporate clients, and specialised financial products to drive the implementation of large-scale credit projects. Lastly, in the Chengdu-Chongqing region, the Bank has actively supported the development of the Twin City Economic Circle and contributes to the growth of the local real economy.

Recent Developments

2025 First Quarter Results

On 29 April 2025, the Bank published the unaudited and unreviewed consolidated quarterly financial information of the Bank as at and for the three months ended 31 March 2025 on the website of Shanghai Stock Exchange. A summary of such financial information has been set forth in “*Summary Financial Information of the Bank*” in this Offering Circular.

The unaudited and unreviewed consolidated quarterly financial information of the Bank as at and for the three months ended 31 March 2025 have not been audited or reviewed by a certified public accountant, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. None of the Bank, the Group, the Arrangers, the Dealers or their respective directors, officers, employees, agents, affiliates or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such unaudited and unreviewed consolidated quarterly financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Bank’s financial condition and results of operations. In addition, the unaudited and unreviewed consolidated quarterly financial information of the Bank as at and for the three months ended 31 March 2025 should not be taken as an indication of the expected financial condition or results of operations of the Bank for the full financial year ending 31 December 2025.

Changes in the List of Directors, Supervisors and Senior Management Personnel of the Bank

Since 31 December 2024, there have been further changes in the list of directors, supervisors and senior management personnel of the Bank as disclosed on the website of the Shanghai Stock Exchange. For further details relating to the current list of directors, supervisors and senior management personnel of the Bank, please see “*Directors, Supervisors and Senior Management*” in this Offering Circular.

Principal Business Activities

The Bank’s principal business activities in the PRC include corporate banking business, retail banking business and financial market and financial institution business.

For the years ended 31 December 2022, 2023 and 2024, the Bank’s total operating income was RMB188,622 million, RMB173,434 million and RMB170,748 million, respectively. The following table sets forth the geographical concentration of the Bank’s total operating income for the years and periods indicated, respectively:

	For the year ended 31 December					
	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Headquarter.....	76,816	40.72	67,701	39.04	66,988	39.23
Yangtze River Delta Region	39,685	21.04	38,381	22.13	39,256	22.99
Pearl River Delta and West Side of Taiwan Strait.....	13,431	7.12	12,554	7.24	12,323	22.99
Bohai Rim.....	15,405	8.17	13,922	8.03	14,944	8.75
Central China	12,961	6.87	11,807	6.81	11,384	6.67
Western China	11,792	6.25	10,971	6.33	11,260	6.59

For the year ended 31 December

	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
North-eastern China	4,359	2.31	3,057	1.76	3,857	2.26
Overseas institutions and subsidiaries .	14,173	7.51	15,305	8.66	10,736	6.29
Total	188,622	100.00	173,434	100.00	170,748	100.00

Corporate Banking Business

Adhering to its customer-oriented approach, the Bank deepens the customer management, works hard to serve the real economy, and provides all-round financial services for customers including but not limited to commercial credit, transaction banking, investment banking, electronic banking, cross-border business, and offshore business. As at 31 December 2024, the Bank had approximately 2.37 million corporate customers. For the year ended 31 December 2024, the Bank's corporate banking business segment achieved a net income of RMB61.08 billion. The Bank continues to push forward the multi-level, classified customer operation, and consolidated the customer base.

Corporate deposit and loan business

The Bank keeps optimising the structure of its credit customers through supporting upgraded industries, traditional competitive industries, strategic emerging industries, modern services and green industries. At the same time, it strictly curbs financing to industries with heavy pollution, high energy consumption and overcapacity. The Bank lends to corporate borrowers in a wide range of industry sectors and across nearly all geographic regions of the PRC.

As at 31 December 2024, the total corporate deposits placed with the Bank stood at RMB3,563.35 billion, representing a decrease of RMB15.64 billion or 0.47 per cent. as compared with 31 December 2023. As at 31 December 2024, the total corporate loans (excluding discounted bills) offered by the Bank were RMB3,179.15 billion, representing an increase of RMB338.16 billion or 11.90 per cent. as compared with 31 December 2023. The NPL ratio for the corporate loans offered by the Bank was 1.34 per cent. as at 31 December 2024, representing a decrease of 0.33 per cent. from the end of 2023. Corporate loans have historically constituted the largest component of the Bank's loan portfolio. The Bank's corporate loans consist of short-term loans and medium-and long-term loans. These corporate loan products mainly take the form of general corporate loans, discounted bills and trade finance. As at 31 December 2024, the corporate loans (excluding discounted bills) offered by the Bank accounted for 58.97 per cent. of the total loans offered by the Bank.

Investment banking business

The Bank offers a wide range of investment banking services including debt financing, asset-backed structured financing, green finance, and M&A advisory services. The Bank acted as the lead underwriter for the issue of RMB500 million asset-backed notes by Shanghai PD Luqiao Construction Co., Ltd. in 2012, which was among the first batch of its kind in the PRC. The Bank was the sole lead underwriter for the transaction. In 2015, the Bank's subsidiary SPDB International Holdings Limited ("SPDB International") commenced operations in Hong Kong which further advanced the Bank's provision of service in the investment banking area. SPDB International is registered for Type 1 "Dealing in Securities", Type 6 "Advising on Corporate Finance" regulated activities with the SFC through its subsidiary, SPDB International Capital Limited and Type 4 "Advising on Securities", Type 9 "Asset Management" regulated activities through its subsidiary, SPDB International

Investment Management Limited. To serve the implementation of major national strategies, the Bank has underwritten the first medium term note for the SOE mixed-ownership reform in the PRC and the first pooled commercial paper for high-tech enterprises in the Yangtze River Delta. To develop inclusive finance, the Bank has devised and issued its first standardised bill, which was also one of the first products of its kind across the PRC. In 2024, the Bank was awarded the “Leading Institution in Debt Markets of the Year”, “Outstanding Bond Underwriting Institution”, “Top 100 Proprietary Settlement Institutions”, “Outstanding Asset Custodian Institution” and “Excellence Award for Underwriting Green Bond Indices” by China Central Depository & Clearing Co., Ltd. The Bank expects that the investment banking business will continue to be an important part of its business. For the year ended 31 December 2024, the Bank underwrote 1,917 bonds as a lead underwriter, and the lead underwriting amount reached approximately RMB674.52 billion.

Cash management business

The Bank centred its operations on client needs, creating the GBC (Global Business Connection) scenario-based ecosystem, which integrated products such as “Cloud Fund Supervision” and “SPD Treasurer,” providing clients with end-to-end services for collection, management, and payment. In 2024, the Bank gained over 10,000 new customers in scenario-based solutions. It implemented services across 37 key scenarios, including judicial case management, housing construction, education and training, public resources, and investment and financing. These developments contributed to a net increase of low-cost settlement average daily deposits by over RMB18 billion, reflecting the Bank’s commitment to offering innovative, efficient, and tailored financial solutions to meet the diverse needs of its clients.

Transaction banking

The Bank’s transaction banking segment serves all sorts of customers at the Bank. The Bank focuses on the digitalisation drive across the Bank and its subsidiaries. The Bank explores new business forms and models to digitalise service delivery, serves the real economy with the industry-leading inclusive finance and technology finance, and makes intensive efforts to enrich the transaction banking service brands. In 2024, the Bank’s cross-border transaction volume exceeded RMB4,098 billion, representing an increase of 27.35% year-on-year.

International business vehicles

The Bank made steady strides in international operations. Relying on overseas branches, Free Trade Zone (“FTZ”) branches, and offshore business presence, it puts in place and optimises the international business platform. Meanwhile, it actively aligns with the opening-up strategy of the PRC, and devotes itself to providing a wide range of financial services as actually needed by the “going global” Chinese enterprises, the Belt and Road Initiative implementation, and the FTZ construction. The Bank has gripped market opportunities to develop international business vehicles (including offshore, FTZ branches, and overseas branches), with an emphasis on developing core customers and accelerating optimisation of the business structure.

Strategic customer management

The Bank has established a new strategic client management framework across its headquarter and branches. This framework focuses on building capabilities in platform creation, ecosystem development, value generation, and leadership, aiming to achieve the development goals of comprehensive product integration, holistic data visualisation, full-service coverage, and value maximisation.

As at 31 December 2024, the Bank’s outstanding corporate deposits denominated in RMB and foreign currencies from strategic customers of the headquarter stood at RMB886.2 billion; and the outstanding corporate loans denominated in RMB and foreign currencies (including commercial papers) were RMB772.6 billion.

Institutional client management

The Bank has enhanced its services for institutional clients by integrating its flagship products into key business scenarios, including centralised treasury payments, non-tax revenue collection, and housing provident funds. In addition, the Bank has deepened its offering of comprehensive solutions for key sectors including public finance, social security, housing, law enforcement, education, and healthcare, continually optimising the customer experience. As at 31 December 2024, corporate deposits placed with the Bank by institutional clients denominated in RMB exceeded RMB600 billion.

Meanwhile, consistent with its mission to serve the government and people's livelihoods, the Bank tailored its professional services to government bodies, public institutions, and social organisations at all levels nationwide. In 2024, the bank achieved major milestones by securing qualifications as an agent bank for both central fiscal non-tax revenue collection and direct payments from the central treasury, attaining comprehensive national-level fiscal agent accreditation.

Inclusive finance

The Bank has earnestly implemented the general requirements put forth by the Communist Party of China Central Committee (the **"CPC Central Committee"**) and the State Council for developing inclusive finance. It kept expanding the reach and coverage of inclusive finance services by pressing ahead with the supply-side reform of inclusive finance, enabling inclusive finance to go digital, intensifying product innovation, making up for institutional shortcomings, and capitalizing on policy synergy. While steadily promoting the high-quality development of inclusive finance, it also fully implemented various regulatory requirements. In short, new progress was achieved in developing inclusive finance. As at 31 December 2024, the Bank's balance of inclusive loans under the standard of "two increases" stood at RMB43.34 billion and the number of micro and small enterprises receiving such loans exceeded 410,000.

The Bank continues to improve the inclusive finance mechanisms and systems by listing credit plans and risk limits separately and formulating differentiated industry investment policies. It improved the effectiveness of financial services for micro and small enterprises overall through a series of measures, including continuing subsidies and fee reductions, optimising special assessments for inclusive finance, introducing a non-performing tolerance mechanism for inclusive loans to micro and small enterprises, implementing liability exemption on the premise of diligent duty performance effectively, and encouraging the supply of inclusive loans. The Bank continued to promote the digital operation mode of inclusive finance, upheld the business strategies of "bulk customer acquisition, standardised operation, digital support and intelligent risk control", and upgraded the "SPD e-Finance 2.0" inclusive customer service system and the intelligent risk control system for small enterprises. Remarkable results were achieved in the application of relevant innovations.

Retail Banking Business

Guided by the Bank's "135N" structure, the Bank continues to develop retail banking business, to focus on customer centric, create value, implement digital strategy and to implement classified and categorised management of customers. The Bank continues to maintain a rapid development of retail banking business. The Bank's retail banking business mainly consists of personal loans and strategic transformation of retail finance business, personal deposits, wealth management and private banking, foreign exchange services, bank debit cards and bank credit cards.

The Bank made retail banking business one of its priorities, continuously improved its product, service and risk prevention systems, built an extensive cooperation ecosystem, and promoted wealth management, credit cards, retail credit, private banking and other business forms toward fast development. In the meantime, it empowered retail customer management with cutting-edge technologies, transformed retail banking business with digital means, created comprehensive services and ultimate experience, and made teams more professional, products

more innovative, and risk control more compliant to meet diversified customer needs. As at the end of 2024, the Bank's retail deposit balance stood at RMB1,574,986 million and the retail loan balance stood at RMB1,889,267 million. The Bank produced a net operating income of RMB54.44 billion in retail banking business during the year ended 31 December 2024.

Personal customers and deposits

The Bank accepts deposits in Renminbi as well as certain major foreign currencies. The Bank mainly offers current deposits and time deposits to its retail banking customers.

In 2024, the Bank actively adapted to market changes by stabilising deposit growth, reducing costs, and promoting high-quality development in deposits. It enhanced its deposit product offerings and supporting features, ensuring effective implementation of its new policies on callable deposits. By focusing on “customers” and “scenarios”, the Bank prioritised operations around key cash flows and target customer groups, improving its ability to expand transaction-based deposits while maintaining interest costs at a relatively low level compared to industry peers. As at 31 December 2024, there were 157 million personal customers (including credit card holders) across the Bank; the assets of retail customers under management kept growing steadily to a balance (including market value) of RMB3.88 trillion; the balance of personal deposits reached RMB1,550.38 billion, representing an increase of RMB170.16 billion or 12.33% per cent. over 31 December 2023.

Wealth management business

The Bank owns the bank wealth management license as well as asset management licenses held by companies it mainly invests in, which include trust and PE licenses held by Shanghai Trust and its asset management subsidiary, fund and fund asset management licenses held by AXA SPDB Investment Managers Co., Ltd., Tullett Prebon SITICO (China) Limited, and its asset management subsidiary, overseas investment banking licenses (investment banking and brokerage) held by SPDB International and its brokerage subsidiary, and overseas asset management licenses held by the asset management subsidiary of SPDB International and the Hong Kong subsidiary of Shanghai Trust. In January 2022, SPDB Wealth Management, the wholly-owned subsidiary of the Bank, commenced for business.

In 2024, the Bank adhered to the principles of “platformisation, digitalisation, ecosystemisation, and specialisation” in the development of its wealth management business. It launched asset allocation services driven by investment research, deepened group-wide collaboration, enhanced service quality for key products, and improved the capabilities of its teams. In alignment with its commitment to inclusive finance, the Bank also strengthened retirement financial services by introducing the “Pu Yi Jin Sheng” retirement financial service system. As at 31 December 2024, the Bank had over 4.41 million wealth management clients with monthly average financial assets over RMB50,000, representing an increase of 6.26 per cent. year-on-year. Meanwhile, Bank's balance of AUM from personal customers (including market value) reached RMB3.88 trillion.

Private banking business

The Bank began its private banking business in 2011. In 2015, the Bank launched the Sunshine Private Fund, the Precious Metal No. 1 Fund and other innovative products. It also introduced high-quality investment products of the Shanghai Trust to optimise its product line and provide group-based and integrated product services for its customers. Leveraging the Bank's Hong Kong private banking centre, the Bank launched offshore businesses, including universal life insurance, insurance policy loans and other overseas investment products. Through optimising its private banking investment accounts management, the Bank enhanced customer satisfaction and made business breakthroughs in its offshore business. Relying on the Bank's leading edge in corporate banking and retail banking, this business segment pools together advantages available across the Bank to devise a joint service mode that features investment and financing integration, domestic and foreign

integration, and corporate and retail banking integration. It strives to improve the high-net-worth customer management system, and endeavours to create a butler-style private banking service system.

In 2024, the private banking business fully leveraged its financial resources ecosystem and integrated public and private banking services with group-wide collaborative resources. These efforts included the development of the “SPDB Enterprise Star” service platform, which is tailored to serve entrepreneur clients, and the “SPDB Life” account system, which was introduced to establish product differentiation and enhance delivery of integrated and customised services.

As at 31 December 2024, the Bank’s private banking customers exceed 49,000 (monthly average daily financial assets of RMB6 million or above), representing an increase of 13.95 per cent. from 2023; and the financial assets under the Bank’s management from private banking customers amounted to approximately RMB690 billion, representing an increase of 9.52 per cent. from 2023.

Retail credit business

The Bank continues to diversify the retail credit product lineup, strengthens the building of digital risk control capabilities, and optimises the business operation mechanisms. Loans to retail customers include personal housing loans, personal business loans, credit card and overdrafts and others. The Bank’s retail loans have experienced substantial growth in recent years. In terms of consumer lending, the Bank focused on target customer groups, diversified operational strategies, and consistently enhanced product competitiveness. Efforts were made to promote the balanced growth of personal housing loans and personal consumer loans, integrating financial and credit services into various aspects of everyday consumer needs.

For personal housing mortgage loans, the Bank fully implemented national policies, adopting tailored strategies based on specific city conditions to meet customers’ financing needs for stable and comfortable living. It refined its regional and channel strategies in response to market changes to ensure the stable and healthy development of its housing loan business while supporting residents’ housing needs. For personal consumer loans, the Bank aligned with macroeconomic trends and focused on building leading loan products such as “SPDB Flash Loan” and “iCar Loans”. These efforts aimed to integrate personal consumer loans into various consumer scenarios, meeting customers’ diverse consumption needs and providing them with convenient financial services.

As at 31 December 2022, 2023 and 2024, the balance of the retail loans offered by the Group totalled RMB1,892,400 million, RMB1,865,822 million and RMB1,889,267 million, respectively. As at the end of 31 December 2024, the Bank’s balance of personal housing loans, personal business loans, credit cards and overdrafts loans and other loans was RMB864,360 million, RMB455,267 million, RMB370,223 million and RMB199,417 million, respectively.

Credit card business

The Bank’s credit card centre was established in 2004, being one of the earliest credit card centres. Since its establishment, the Bank has issued various kinds of credit cards to meet various needs of its customers. In addition, in response to varying needs of different market segments, the Bank has issued a large number of co-branded credit cards with reputable enterprises in sectors including, for example, airline, hotels, merchandise and telecommunications.

In 2024, the Bank successfully launched its credit card smart opportunity application platform, establishing a data-driven and digitally intelligent management system that integrates core retail scenarios. The platform offers a “Credit Card +” package tailored to customer needs, integrates credit card marketing into broader service workflows, standardises outreach gestures and tools to enhance customer conversion, and provides supporting systems for assessments and process management. In 2024, the platform acquired 73,592 dual-card customers. Notably, customer quality through this channel significantly exceeded other acquisition methods, with an overdue rate of just 0.35 per cent.

Additionally, SPDB advanced its “Joyful SPD Credit Card” app, creating a fully integrated and digitally intelligent management matrix for credit cards. The app focuses on core indicators and customer engagement, enhancing credit card usability through diversified service scenarios. Over 89 functions were added, covering areas such as transaction management, account services, and cross-selling. The app also launched an AI-powered chatbot to strengthen user engagement with features for instalments, proactive collections, activation, and service experience. The chatbot addressed more than 30,000 user queries across five key scenarios, improving operational efficiency and customer satisfaction. As at 31 December 2024, the app had approximately 29.16 million active users, representing an increase of 2 million users or 7.36 per cent. as compared with 2023.

The Bank developed credit card business through multiple channels. As at 31 December 2024, the balance of credit card loans amounted to RMB370.22 billion, representing a year on year decrease of 3.99 per cent.

Attributable to its sound services, the Bank was awarded “Outstanding Contribution Award for Customer Service” by China UnionPay at the 2020 Interbank Service Symposium and its Credit Card Center was awarded “Best Frictionless Sales Management Program in China” by The Asian Banker in 2021. In 2022, the Bank’s Credit Card Center was granted the Green Development Award in the 17th People’s Corporate Social Responsibility Award selection by People.cn. Additionally, the Bank’s Credit Card Center was awarded the “Best AI-Assisted Coding Application in China Award” by The Asian Banker in 2024.

Debit card and payment settlement business

The Bank offers a variety of debit card products to its customers. During the year ended 31 December 2024, the Bank continued to optimize the unified acquiring platform and build a middle and back-office management platform to further improve merchant management capabilities, as well as successfully launched the distributed core credit card system. With respect to e-CNY business, the interim management measures for internal business was formulated to carry out e-CNY business in all pilot areas delineated by the People’s Bank of China.

As at 31 December 2024, the total number of the debit cards issued by the Bank in circulation reached approximately 107.61 million and payment settlement income reached RMB1.73 billion. Monthly active internet payment users reached 10.86 million, generating 2.80 billion transactions worth RMB1.26 trillion. To drive consumer engagement, the Bank promoted its “SPD Hui Payment” brand with initiatives such as monthly benefits programmes, senior citizen payment days, and inclusive campaigns targeting elderly customers and broader consumer groups. The Bank also reduced fees for small and micro-enterprises, individual merchants, and industries such as real estate, automotive, healthcare, and education. It enhanced payment satisfaction for various groups, including foreigners in China and senior citizens, by improving services such as foreign card acceptance, foreign currency exchange, and accessibility upgrades. The Bank relies on online and offline channels such as APIs, smart terminals, official accounts, applets, and apps to satisfy the sales and collection needs arising from different industries and digitalise a host of sectors including utility bills payment, transportation, retail, health, and education. In the process, the Bank has provided consumers with a convenient and easy-to-use payment experience.

Financial Market and Financial Institution Business

In line with the regulatory requirements, the Bank, always being customer-centric, has stepped up product and business innovation, grasped market opportunities to optimize asset allocation strategies and advance innovation and transformation, and kept raising the business standard and investment & trading capabilities in the financial market business. For the year ended 31 December 2024, the Bank continued to enhance operational efficiency on the premise of ensuring liquidity security and risk control compliance across the board. As at 31 December 2024, the scale of fund assets operated by the Bank reached RMB2.3 trillion.

Financial institution business

The Bank, centring on customers, has continued to increase the products for financial institution customers and optimise the industry distribution of customers by refining the industry-specific business strategies. In 2024, the Bank worked with approximately 3,300 first-tier legal entities. Leveraging its focus on the “Five Key Financial Areas” and Shanghai’s “Five Global Centres” strategy, the Bank strengthened strategic cooperation with financial markets and obtained more than 80 market-related qualifications. Additionally, the Bank collaborated with institutions such as securities firms, funds, and insurers to integrate customer, product, service, strategy, branding, and ecosystem resources. Meanwhile, the Bank expanded its partnerships within the Yangtze River Delta, leveraging its regional advantages to enhance cooperation and foster economic growth. Moreover, initiatives such as the “Bund 12 Interbank Cooperation Salon” boosted its interbank brand visibility.

Investment transaction

In terms of the interbank business, the Bank has actively increased the allocation of acceptable assets and standardised assets such as asset securitisation business, while promoting the inclusive finance assets backed securities (“ABS”) investments to strengthen the support of inclusive finance.

In terms of bond trading, the Bank tried to grasp market timing and swings and grip every possible market opportunity, and shored up the spread income and portfolio income steadily. While expanding the macro hedging strategies at home and abroad, it maintained the bond lending business within the first echelon of market players. In 2024, the Bank’s revenue-earning bond investment portfolio surpassed RMB1 trillion, ranking first in the market for key liability operations, including bill sell-back repurchase volumes and rediscount balances.

In terms of the bill business, the Bank worked hard to enhance the comprehensive contribution of the business line, with the volume of business conducted through online channels growing rapidly.

In terms of the agency business, the “SPDB Risk Hedging” initiative served over 25,000 corporate clients, providing risk management solutions. Meanwhile, the Bank’s annual Blue Book on Market Outlook series consolidated the Bank’s leadership in integrated market services, offering insights and enhancing client engagement to support the high-quality development of the real economy. The efficient output of research results directly to customers turned out another value-added service in the agency business. Seizing the market opportunities related to interest rate, exchange rate, precious metals and commodities, the Bank made all-round and three-dimensional integrated innovations, maintained a leading position in transactions on exchange across the market, and improved its overall influence in the market continuously.

Attributable to its sound performance, in 2024 the Bank was awarded by the Shanghai Stock Exchange as Model Bond Investment Institution (Proprietary Trading) and Model Participant in Bond Lending, as well as by the China Foreign Exchange Trade System as Best Foreign Currency Lending Quotation Bank, Best Foreign Currency Borrowing Member, Best Foreign Currency Repo Member, Best RMB Foreign Exchange Options Market Maker, and Best RMB Foreign Exchange Currency Swap Market Maker. The Bank was also awarded by the National Interbank Funding Center as Core Dealer for Currency, Bonds Derivatives and Foreign Exchange Markets. Furthermore, the Bank was awarded the Bond Market Leader of the Year, Model Bond Underwriter, Model Underwriter in Local Bond Counter Business, Model Contributor to International Business, Model Valuation Agency, Model Underwriter of ChinaBond Green Index, and Model Asset Custodian of the Year by China Central Depository & Clearing Co., Ltd. in 2024.

Asset management

The Bank provides a range of asset management solutions to corporate clients. The Banks continues to expand its lineup of products in line with new asset management regulations, so as to guarantee the adequate product supply. Pursuing a customer-centric approach, the Banks strives to serve customers and meet their diversified

needs. During the year ended 31 December 2022, SPDB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was officially inaugurated, which represented an important step for the Bank to fully implement the new regulations for asset management and accelerate the high-quality transformation and development of its wealth management business. After its opening for business, SPDB Wealth Management got various aspects of work done in an orderly manner. On the product side, it accelerated innovation, safeguarded supply, and continued to enrich product types, by launching a number of net-worth products that were well received in the market. On the asset side, it increased support for the real economy, kept increasing the proportion of investments in standardised assets, and stabilised the performance of net-worth products through various measures. SPDB Wealth Management also focused on strategic areas aligned with financial development goals, including technology finance, green finance, and inclusive finance. Balances in these fields exceeded RMB40 billion, RMB25 billion, and RMB20 billion, respectively, with annual growth rates surpassing 50 per cent., 35 per cent., and 20 per cent. With these efforts, SPDB Wealth Management strove to generate sound investment returns for investors. As at 31 December 2024, wealth management products of SPDB Wealth Management totalled RMB1,319.58 billion, representing an increase of RMB301.17 billion or 29.57 per cent. compared to 2023.

Asset custody

The Bank provides an array of custody services to securities investment funds, enterprise annuity, National Council for Social Security Fund, insurance companies, qualified foreign institutional investors (QFII), qualified domestic institutional investors (QDII) and other bank clients, including assets custody, capital clearing, accounting, transaction monitoring, performance appraisal and reporting service. Custody services provided by the Bank include those relating to securities corporate clients' assets, foundation assets, building maintenance funds, housing funds, staff mutual-aid funds, securities investment funds, trust assets and transactional funds.

The Bank is continually seeking to pursue innovations in its custody services and has made developments in the areas of financial product funds escrow, QFII/QDII trust custody, supervision and/ or custody of internet platform funds, custody of funds of margin financing and securities lending, single-purpose prepaid funds depository etc. The Bank also successfully launched the first custody business nationwide of collective QDII trusts: Greater China QDII. Grasping the opportunity of opening-up of custody services for single-purpose prepaid funds, the Bank has signed the first single-purpose prepaid card funds depository deal.

In 2024, the Bank continued its leadership in asset custody, achieving the fourth consecutive year of trillion-RMB-level growth. The bank launched over RMB1 trillion in new public fund custody services throughout the year, ranking second nationally, and strengthened its private fund custody operations, securing a leading role as custodian for multi-billion-RMB Shanghai industrial funds. As at 31 December 2024, the asset custody business had a scale of RMB18.13 trillion. For the year ended 31 December 2024, the Bank's asset custody business generated a total of RMB2.31 billion of custody fee income.

In 2020, the Bank was granted Gamma Award for Banking Asset Custody Bank in China by the Securities Times. In 2022, the Bank was granted Model Asset Custodian by China Central Depository & Clearing Co., Ltd. for the second consecutive year. Furthermore, in 2024, the Bank was awarded the Custodian Bank of the Year Award by East Money.

Overseas Operations

As part of its strategy to become a modern financial services institution, the Bank has intensified its efforts to develop its overseas operations. So far the Bank's overseas operations are mainly conducted through the Hong Kong Branch, Singapore Branch and the London Branch.

In 2014, the Bank received approval from both the CBRC (now the NAFR) and the SFC to acquire AsiaVest Partners Limited, which was subsequently renamed SPDB International. On 25 March 2015, SPDB International commenced operations in Hong Kong as a Hong Kong-incorporated investment bank wholly-owned by the Bank. It is engaged in the business of investment banking and fund management. It is registered for Type 1 “Dealing in Securities” and Type 6 “Advising on Corporate Finance” regulated activities with the SFC through its subsidiary, SPDB International Capital Limited and Type 4 “Advising on Securities” and Type 9 “Asset Management” regulated activities through its subsidiary, SPDB International Investment Management Limited. SPDB International will serve as the Bank’s cross-border investment and financing services platform and investment banking services platform and represents a great stride in the Bank’s internationalisation and integration efforts.

In April 2017, the Singapore Branch commenced business. The London Branch of the Bank was authorised by the Financial Conduct Authority in December 2017 and commenced operations in February 2018.

Major Loan Customers

As at 31 December 2024, the aggregate amount of loans offered by the Bank to its single largest customer accounted for approximately 0.49 per cent. of its net capital, and the aggregate amount of loans offered by the Bank to its top ten customers constituted approximately 2.07 per cent. of its net capital.

Marketing

The Bank has built up a multi-layer marketing system with the participation of the headquarters, branches and sub-branches. The Bank focuses its marketing efforts on first-tier cities in the PRC where the majority of its target customers are located, including cities in the Yangtze River Delta region. The Bank also pays attention to second-tier cities with relatively developed economies in central and western PRC.

In addition to optimising its physical network of branch outlets, the Bank has also improved its electronic marketing by taking advantage of its advanced IT platform services, such as mobile phone banking, internet banking and telephone banking, and have obtained positive results in promoting retail banking products and services through those channels.

Distribution Network

The Bank delivers its products and services through a variety of distribution channels. The Bank has branch outlets in substantially all major cities in the PRC. In addition, the Bank is increasingly promoting the use of alternative electronic banking channels, such as internet banking and telephone banking. The Bank believes that its network of branch outlets and electronic banking channels enable the Bank to efficiently provide its customers with banking services.

Branch Outlets

The Bank continues to improve the geographic layout of its branches by establishing outlets in provincial capitals, further increasing the pace of branch development in economically developed prefecture-level cities and increasing the density of outlets in key areas. As at 31 December 2024, the Bank had 42 tier-one branches (including the Hong Kong Branch, Singapore Branch and London Branch) and a total of 1,708 banking outlets, covering 31 provinces, autonomous regions and municipalities directly under the central government, Hong Kong, Singapore and London.

Automatic Service Machines and Self-Service Banking Centres

In an effort to provide additional convenient services to customers, reduce operating costs and improve profitability at branch levels, the Bank is continually expanding its self-service banking centres and automatic service machines connected to the China UnionPay network, in parallel with enhanced risk prevention of self-service banking. The Bank also made efforts to expand the distribution network of self-service banks and equipment and raise the rate of transactions substituted by self-service equipment. In addition, the Bank has introduced the i-Counter Smart Counter, in replacement of traditional bank counter services, which integrates the use of new technologies such as biometrics, audio, video and 4G wireless network to provide intelligent and efficient banking services to customers.

Electronic Banking

The Bank has accelerated the innovation of electronic banking. In particular, through cooperation with China Mobile and China Mobile Guangdong, the Bank's second strategic investor and second largest shareholder, the Bank has made great strides in the area of mobile banking. In 2022, the Bank worked towards the strategic goal of growing into a globally competitive, top-notch joint-stock commercial bank. Specifically, it allowed AI innovation to further play its enabling role, put customer experience in the first place, and reshaped business processes, so as to enhance the user experience and service efficiency, both online and offline.

The Bank has won various awards for its electronic banking platform. In 2022, the SPD Bank app was granted the Best Personal Mobile Banking Award by China Financial Certification Authority ("CFCA"), the Year of Joint Promotion of Digital Finance and www.cebnet.com, and the Excellent Case Award for User Experience Industry Applications by China Quality Management Association for Electronics Industry, as tasked by the Ministry of Industry and Information Technology. In 2023, the Bank was awarded the Best Digital Operation Award in Mobile Banking by the CFCA and received the Gamma Award for Excellent Mobile Banking App of the Year by Securities Times.

Employees

As at 31 December 2024, the Bank (excluding its subsidiaries) had a total number of 56,760 employees, of whom 38,851 have a bachelor's degree or above. The Bank places great emphasis on the training of its employees and building a high-quality professional workforce with most up-to-date industry knowledge to facilitate the development of the Bank.

Competition

The current PRC banking industry is facing fierce competition and undergoing continuous reform. The Bank currently competes principally with large-scale commercial banks, national joint stock commercial banks, key urban commercial banks and foreign-invested banks in the PRC. In addition, the Bank may face increasing competition from privately-owned banks or financial companies dedicated to serving SMEs and competition for funds from other forms of investment alternatives as the PRC capital markets continue to develop. The Bank also faces competition from non-traditional forms of banking, including but not limited to internet finance and internet banking.

Information Technology

The Bank's information technology systems provide critical support to many aspects of its business operations, including customer services, transaction processing, risk management and financial management. The Bank believes that the establishment of an advanced information technology system that complements its overall business strategies will greatly improve its efficiency, the quality of its customer service, as well as risk and

financial management. The Bank fully understands the importance of sophisticated information technology infrastructure and systems to the effective management and successful development of its business, and has invested and will continue to invest heavily in its information technology systems.

The Bank expects to continue to capitalise on information technology to drive its business in the future. In addition to the upgrades and improvements the Bank has made in recent years to its information technology systems, the Bank will continue to upgrade and integrate its information technology systems to facilitate operational efficiency, risk management and business development.

Intellectual Property

The Bank conducts business under “浦發銀行”, “SPD Bank” and  brand names and logos. The Bank has registered these brand names and logos and other related logos in the PRC. The Bank is also the registered owner of the domain name “www.spdb.com.cn”.

Properties

The Bank’s headquarters is located at No. 12, Zhongshan Dong Yi Road, Shanghai. In addition to its headquarters, its branches and sub-branches are located in premises owned or leased by it in cities across the PRC.

Legal and Regulatory Proceedings

The Bank faces risks of legal proceedings in the ordinary course of its respective business, most of which are initiated by the Bank to enforce loan recovery, plus litigation and arbitration resulting from disputes with customers.

As at 31 December 2024, the Bank was involved in various outstanding litigation cases where the Bank was the defendant or the third-party defendant, with corresponding amount involved about RMB3.18 billion and RMB928 million, respectively. The management of the Bank is of the view that these legal actions will not have any material impact on either operating results or the financial position of the Bank.

The Bank is also subject to some regulatory proceedings and fines. For further details, please see “*Risks Relating to the Bank’s Business – The Bank may be subject to litigation and regulatory investigations or proceedings and may not be successful in defending itself against such litigation, investigations or proceedings.*”

FUNDING AND CAPITAL ADEQUACY

Funding

The Bank's funding is primarily derived from deposits placed with the Bank by corporate and retail customers. The Bank also derives funding from shareholders' equity, debt instrument issuance and interbank borrowings.

The following table sets forth a breakdown of the Bank's customer deposits classified by product type and business lines as at the dates indicated:

Item	As at 31 December					
	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Current deposits						
1. Corporate deposits	1,656,442	34.32	1,813,631	36.38	1,620,275	31.49
2. Retail deposits.....	413,721	8.57	354,015	7.10	414,676	8.06
Time deposits						
1. Corporate deposits	1,836,412	38.05	1,765,364	35.42	1,943,073	37.76
2. Retail deposits.....	917,007	19.00	1,049,278	21.05	1,160,310	22.55
Other deposits	2,896	0.06	2,342	0.05	7,625	0.14
Total	4,826,478	100.00	4,984,630	100.00	5,145,959	100.00

Note: the amounts contained in this table are prepared in accordance with IFRS.

Capital Adequacy

The following table sets forth information relating to the capital adequacy of the Bank as at 31 December 2024 calculated in accordance with the relevant provisions in the Capital Management Rules as promulgated by the NAFR:

	<i>(RMB in millions unless otherwise stated)</i>
1. Core tier 1 capital-net	660,296
2. Additional tier 1 capital-net	80,503
3. Capital-Net	948,480
Total risk-weighted assets.....	6,775,195
Core tier 1 capital adequacy ratio (%)	8.92
Tier 1 capital adequacy ratio (%).....	10.04
Capital adequacy ratio (%)	13.19

ASSETS AND LIABILITIES

The following discussions and analysis should be read in conjunction with the Bank's audited consolidated financial statements for the years ended 31 December 2022, 2023 and 2024, included elsewhere in this Offering Circular. The Bank's audited consolidated financial statements for the years ended 31 December 2022, 2023 and 2024 have been prepared in accordance with IFRS. Unless otherwise stated, all financial data discussed in this section are consolidated financial data.

ASSETS

As at 31 December 2024, the Group's total assets were RMB9,461,880 million, representing an increase of RMB454,633 million or 5.05 per cent. as compared with 31 December 2023.

Loans

As at 31 December 2024, the Group's net loans and advances to customers amounted to RMB5,269,160 million, representing an increase of RMB364,464 million or 7.43 per cent. as compared with 31 December 2023.

Distribution of Loans by Product Type

The following table sets forth the distribution of the Group's gross loans and advances to customers by product type as at the indicated dates:

	As at 31 December					
	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Corporate loans	2,598,058	53.02	2,840,999	56.62	3,179,154	58.97
Retail loans	1,892,400	38.61	1,865,822	37.18	1,889,267	35.04
Discounted bills	410,204	8.37	310,933	6.20	323,109	5.99
Total	4,900,662	100.00	5,017,754	100.00	5,391,530	100.00

Distribution of Loans by Industry

The following table sets forth information on the Group's gross loans and advances to customers by industry sector as of the dates indicated:

	As at 31 December					
	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Corporate loans						
Manufacturing	472,245	9.64	572,695	11.42	684,214	12.70
Wholesale and retail	159,972	3.26	189,398	3.77	210,354	3.90
Real estate	322,036	6.57	345,744	6.89	397,011	7.36
Construction	157,220	3.21	176,645	3.52	190,723	3.54

	As at 31 December					
	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Transportation, warehouse and postal service	190,118	3.88	193,132	3.85	201,696	3.74
Lease and commercial services	469,945	9.59	548,048	10.92	649,273	12.04
Water conservancy, environment and public facilities management	191,308	3.90	196,775	3.92	215,743	4.00
Mining	70,194	1.43	78,825	1.57	88,356	1.64
Electricity, heat, gas, water production and supply	161,222	3.29	165,020	3.29	174,549	3.24
Agriculture, forestry, farming and fishery	14,202	0.29	12,721	0.25	16,701	0.31
Information transmission, software and information technology services	66,636	1.36	75,275	1.50	89,029	1.65
Education	14,937	0.30	16,443	0.33	20,499	0.38
Healthcare and social welfare	12,665	0.26	13,420	0.27	17,530	0.33
Research and technology services	31,425	0.64	36,334	0.72	46,964	0.87
Culture, sport and entertainment	19,094	0.39	20,169	0.40	21,293	0.39
Financial services	235,797	4.81	193,704	3.86	146,268	2.71
Hotels and catering services	6,652	0.14	5,043	0.10	6,344	0.12
Residential services, repairs and other services	1,850	0.04	1,288	0.03	1,790	0.03
Others	540	0.02	320	0.01	1,087	0.02
Discounted bills	410,204	8.37	310,933	6.20	323,109	5.99
Retail loans	1,892,400	38.61	1,865,822	37.18	1,889,267	35.04
Total	4,900,662	100.00	5,017,754	100.00	5,391,530	100.00

Distribution of Loans by Geographic Area

The following table sets forth the geographical concentration of the Group's gross loans and advances to customers as at the dates indicated:

	As at 31 December					
	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Headquarter	553,520	11.54	473,394	10.02	467,759	8.88
Yangtze River Delta	1,538,543	32.06	1,644,988	33.54	1,819,076	34.52

	As at 31 December					
	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Pearl River Delta and West Side of Taiwan Strait.....	611,277	12.74	655,933	13.37	677,446	12.86
Bohai Rim	631,186	13.15	624,499	12.73	683,677	12.98
Central China	515,155	10.74	510,431	10.40	539,842	10.25
Western China	570,421	11.89	614,887	12.54	683,491	12.97
North-east China	189,937	3.96	181,805	3.70	180,413	3.42
Overseas and subsidiaries...	190,514	3.97	202,147	4.12	220,514	4.18
Elimination	(2,203)	-0.05	(3,388)	-0.07	(3,058)	-0.06
Total	4,798,350	100.00	4,904,696	100.00	5,269,160	100.00

Borrower Concentration

The table below shows the amount of loans granted to the Group's top ten customers as at 31 December 2024.

Customer name	Amount	Percentage of total loans
	(RMB in millions)	(%)
Customer A	26,385	0.49
Customer B	17,374	0.32
Customer C	11,369	0.21
Customer D	9,983	0.19
Customer E.....	9,818	0.18
Customer F.....	8,577	0.16
Customer G	7,140	0.13
Customer H	7,009	0.13
Customer I.....	6,978	0.13
Customer J	6,832	0.13
Total.....	111,465	2.07

Loan Quality

The Bank's loans and other assets are classified in compliance with the NAFR and PBOC guidelines. The table below sets out the five-tier classification of the loans offered by the Bank.

Tier	Summary Description
Pass	Loans for which borrowers can fulfil the contractual obligation, and there is no reason to believe their ability to repay the principal and interest of loans in full and on time is in doubt.
Special Mention	Loans for which borrowers are able to service the loans currently, although the repayment might be adversely affected by some factors.
Substandard	Loans for which borrowers' ability to service loans is apparently in doubt and borrowers cannot rely on their proceeds from normal operations to repay the principal and interest of loans in full. Certain losses might be incurred by the Bank even when guarantees are executed.
Doubtful	Loans for which borrowers cannot repay the principal and interest of loans in full and significant losses will be incurred by the Bank even when guarantees are executed.
Loss	Principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures or necessary legal procedures.

The following table shows the distribution of the Group's gross loans and advances to customers by loan classification as at the indicated dates:

Item	As at 31 December					
	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Pass.....	4,718,603	96.29	4,826,437	96.19	5,191,869	96.30
Special mention.....	107,440	2.19	117,119	2.33	126,507	2.34
Substandard	34,688	0.71	24,640	0.49	19,746	0.37
Doubtful.....	25,813	0.52	22,353	0.45	15,333	0.28
Loss	14,118	0.29	27,205	0.54	38,075	0.71
Total.....	4,900,662	100.00	5,017,754	100.00	5,391,530	100.00

LIABILITIES

As at 31 December 2024, the Group's total liabilities were RMB8,717,099 million, representing an increase of RMB442,736 million or 5.35 per cent. as compared with 31 December 2023.

Item	As at 31 December					
	2022		2023		2024	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Deposits from customers....	4,893,812	61.19	5,060,344	61.16	5,229,282	59.99
Deposits and placements from banks and other financial institutions	1,026,800	12.84	1,293,709	15.64	1,221,605	14.01
Financial assets sold under repurchase agreement.....	350,168	4.38	519,784	6.28	505,962	5.81
Others ⁽¹⁾	1,727,096	21.59	1,400,526	16.92	1,760,250	20.19
Total liabilities.....	7,997,876	100.00	8,274,363	100.00	8,717,099	100.00

Note:

- (1) Other liabilities include borrowing from central bank, financial liabilities at fair value through profit or loss, derivative financial liabilities, income tax payable, debt securities issued, deferred income tax liabilities, lease liabilities, provisions and others.

RISK MANAGEMENT

The Bank establishes a well-structured risk governance framework with clearly defined responsibilities to specify the division of duties among the board of directors of the Bank (the “**Board of Directors**”), the board of supervisors of the Bank (the “**Board of Supervisors**”), senior management, and functional departments in terms of risk management, builds a risk management architecture that matches the risk profile of the primary-level outlets, and puts in place a multi-level and interconnected operation mechanism with effective checks and balances, all of which ensure that the policies, systems, and processes related to comprehensive risk management can be implemented at the head office and branches of all levels. The Board of Directors takes the ultimate responsibility for the Bank’s efforts in this regard. The Board of Supervisors assumes the supervisory responsibility for comprehensive risk management. The senior management carries out comprehensive risk management by implementing the resolutions of the Board of Directors and receiving the oversight of the Board of Supervisors.

As a special enterprise engaged in currencies and credit, the Bank faces the following major risks in operation: credit risk, liquidity risk, market risk (including interest rate risk and exchange rate risk, etc.), operational risk (including settlement risk, technical risk, and system risk, etc.) as well as compliance risk, legal risk, IT risk, strategic risk, reputational risk, country risk, etc. The Bank aims to strike an appropriate balance between risk and return and minimise potential adverse impact on the Banks’s financial performance. It strives to improve its full-round risk management capability, refine the risk management system, strengthen the risk mechanism as well as the policy and credit line system. It closely follows up with the macro-economic and financial situation, implements the requirements set forth by financial regulators, and prudentially conducts credit approval to protect its asset quality and security.

Credit Risk

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

In 2024, the Bank maintained a stable and manageable level of credit risk. For the fifth consecutive year, both the balance and ratio of non-performing loans (NPLs) decreased, with the NPL ratio dropping below 1.4% for the first time since 2014. This improvement in asset quality reflected the Bank’s efforts to strengthen risk controls. Additionally, the Bank’s provision coverage ratio exceeded 180% for the first time since 2015, marking a significant enhancement in its risk mitigation capacity.

Firstly, the Bank embedded risk appetite into its annual strategic deployment, resource allocation, business plans, and risk control objectives. In particular, it strengthened the enforcement of risk appetite by improving its assessment mechanisms and aligned daily monitoring and early warning procedures. The Bank also introduced policies to guide credit allocation, aligning with the Central Economic and Financial Work Conferences. The Bank prioritised strategic sectors while recalibrating industry caps and concentration limits to ensure the high-quality development of its loan book.

Secondly, the Bank closely monitored macroeconomic and financial conditions to ensure prudent and professional credit approval aligned with government policy directives. The Bank conducted comprehensive quality inspections of corporate credit operations, improving compliance and enhancing asset quality. It also employed the “Five-Dimensional Evaluation” framework across its domestic branches to reinforce credit management fundamentals, and strengthened staff expertise through tiered training, online courses, and specialised communication channels to steadily improve operational capabilities. Furthermore, regular site inspections at branch levels enabled the Bank to uphold high standards of compliance and quality across its credit business.

Thirdly, the Bank advanced its risk early warning system by integrating external data into its risk warning rules, refining the granularity of warnings for more accurate signals. Meanwhile, it applied customer-centric, chain-based monitoring processes, continuously tracking risk evolutions and managing warning outcomes in a closed-loop fashion. It also embedded warning results directly into operational systems to pre-emptively address risks during credit workflows.

Fourthly, the Bank strengthened its recovery and resolution of distressed assets by adhering to compliance rules and employing diversified methods, including legal actions and multi-party resolutions. These efforts effectively mitigated risk across the portfolio.

For the year ended 31 December 2024, based on the Administrative Measures of SPDB on Write-off of Asset Losses, the total amount of loss loan assets as approved by the Bank's Board of Directors and imposed with the accounting treatment for write-off was RMB75.90 billion. According to the principle of "account cancellation, case recording and existence of right", the Bank continued to maintain the right of recourse to minimise the credit fund loss. In the same year, to intensify NPA recovery and disposal in an all-around way, the Bank made better use of diversified means, such as increasing cash recovery, strengthening cooperation among business segments, introducing more disposal channels, and piloting personal loan transfer.

Liquidity Risk

The Bank'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 Bank, and to effectively respond to systematic liquidity risk by active management.

To achieve these objectives, the Bank implemented forward-looking and multi-tiered liquidity management practices. These include real-time monitoring of RMB and foreign currency positions, centralised allocation of funds, and improved position forecasting through a large-position advance declaration system. The Bank also prepared daily cash flow gap reports to anticipate changes in cash flow driven by on- and off-balance sheet items.

The Bank also maintained stable liquidity, continued meeting the regulatory requirements for liquidity risk, kept abreast of the regulation effects of credit policies and monetary policies, promptly adjusted the direction, size and structure of cash flow gap, and actively prevented liquidity risk based on its own structure of asset and liability and general capital balance. Firstly, through refined operation, the Bank raised the proportion of general deposits significantly and enhanced the stability of liabilities. Secondly, the Bank never overstepped the bottom line for liquidity risk security, to ensure the safety of provisions. Combined with business development, it continuously improved the position forecasting mechanism, enhanced the position forecasting accuracy, tightened intraday position monitoring; it stepped up active risk forewarning and forecasting, closely monitored liquidity risk-related indicators, revealed relevant risks in a timely manner, made strategic adjustments, to ensure that the bank-wide liquidity risk indicators could stay within the risk appetite set out by the Board of Directors; and it regularly conducted stress tests and emergency drills to better cope with liquidity risk events. Thirdly, the Bank strengthened liquidity analysis and forecast to achieve dynamic monitoring and forward-looking risk management. It tracked the liquidity trend, managed the maturities of bank-wide assets and liabilities on a rolling basis, prevented and controlled liquidity risk from the source, took the initiative to allocate assets and liabilities, and harnessed asset and liability management tools to guide business development in line with asset-liability allocation strategies. Hence, the scale and term structure of assets and liabilities could meet liquidity risk management requirements, and strike a balance among liquidity, safety and profitability.

In 2024, the Bank maintained stable liquidity, with risk levels remaining low and under control. The Bank's ample cash reserves kept cash flow gaps at reasonable levels, while an optimised liability structure ensured deposit stability. Key liquidity risk indicators demonstrated consistent strength, highlighting the bank's effective management framework and proactive adjustments in response to market dynamics. As at 31 December 2024, the Bank's asset liquidity ratio for Renminbi and foreign currency stood at 55.54 per cent., representing an increase of 4.63 per cent. from 31 December 2023. The Bank's excess reserve in the PBOC amounted to RMB105,479 million, RMB206,375 million and RMB107,378 million as at 31 December 2022, 2023 and 2024, respectively.

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 Bank's trading book and banking book are exposed to market risk, which mainly consists of interest rate risk, currency risk and commodity price risk.

The Bank adapted itself to changes in the market, business landscape, and regulatory requirements, by continuing to optimise market risk management and enhance risk management capabilities. Firstly, it stepped up efforts to guard against financial market risk, closely monitored the trends of the financial market, ensuring that risk exposure limits across the Bank were effectively managed and complied with. Secondly, the Bank advanced its policies for classifying trading books and conducting market risk stress tests, updated its database of stress test scenarios and enhanced unified market risk measurement systems across the Group. Thirdly, it continued iterative improvements to its market risk management systems, which significantly improved the Bank's capacity to measure market risks, monitor risk levels and trading behaviours, and ensure high data quality and accuracy in its operations.

As at 31 December 2024, the Bank's consolidated market risk capital was RMB5.37 billion under the standardized approach and capitals occupied by interest rate risk, exchange rate risk, commodity risk and stock risk were RMB1.17 billion, RMB976.82 million, RMB918.68 million and RMB154.58 million, respectively.

Operational Risk

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

In 2024, the Bank updated and issued its Operational Risk Management Guidelines in accordance with regulatory requirements. The Bank conducted specialised training and inspections on operational risk for its headquarters' departments, domestic and overseas branches, and consolidated entities. The Bank also made significant progress in advancing the Basel III Operational Risk Capital Measurement System project, which was launched in 2024. Additionally, the Bank further optimised its key risk indicators for operational risk. As a result, operational risk was controllable at large in 2024.

Other Risks

Compliance risk

The Bank aligned its compliance management with its strategic goals, adhering to the principle of "guarding the baseline while empowering development." It synchronised compliance management with its high-quality development objectives, ensuring that compliance efforts supported and integrated with business growth to create value. The Bank focused on addressing key internal control and compliance issues, aiming to shift from a reactive to a proactive compliance culture to build a solid foundation for sustainable development. In 2024, the Bank's compliance risk management remained robust, recording no significant financial losses, nor any major violations or legal breaches, highlighting its effective compliance and risk oversight.

Anti-money laundering (“AML”)

The Bank continued to adhere to its risk-based approach to AML, continuously optimising its AML framework in alignment with the new provisions of the PRC *Anti-Money Laundering Law* (《反洗钱法》). It conducted in-depth analyses of potential vulnerabilities, integrated AML risk management into corporate governance, and systematically identified and resolved common problems to prevent recurring loopholes. To bolster risk control, the Bank enhanced its customer due diligence procedures and launched the “Customer Money Laundering Risk Detection System”, which identifies risk patterns by clustering risk characteristics, enabling precise identification of potential threats and implementing differentiated measures for better efficiency, customer experience, and targeted management. Additionally, the Bank strengthened its real-time intervention capabilities, intercepting suspicious transactions at the source to effectively combat criminal activities and enhance preventive measures. Through these initiatives, the Bank demonstrated its commitment to combating money laundering and other illicit activities, safeguarding financial stability and national security. These actions not only upheld the Bank’s social responsibility, but also contributed to creating a secure and orderly financial environment.

Legal risk

Assuming the primary responsibility for strengthening the rule of law, the Bank improved the work mechanism of general legal counsel and carried out corporate governance according to the law on all fronts. It improved the internal policy management system, carried out legal compliance inspections, and promoted branches to operate in compliance with pertinent laws and regulations. The Bank continued to carry out legal reviews properly, examined legal risk points in key areas, and supported sound business development in accordance with the law. The Bank made strides in digitalizing legal management and improving the management of contracts, litigation cases and intellectual property rights. It continued to build a legal team and a think tank of internal and external lawyers with intensified efforts. The Bank also raised the rule of law awareness through all-staff training and warning education, and engaged in financial law dissemination among the public through multiple channels.

Information technology risk

The Bank continued refining the IT risk management mechanism. In 2024, aiming to proactively address potential vulnerabilities and strengthen overall IT risk management, the Bank maintained ongoing IT risk monitoring, issuing risk alerts based on both internal and external incidents as well as risk-monitoring outcomes.

Business continuity risk

In 2024, the Bank reinforced its business continuity management by formulating and officially issuing the “SPDB Group Business Continuity Management Strategic Plan (2024–2027)”. The plan includes conducting a business impact analysis to refine the scope of critical operational activities and to further enhance the quality of the business continuity plans and related emergency response initiatives across the Bank’s headquarters and branches. Through these measures, the Bank will ensure that business continuity risks remain broadly manageable and under control, reflecting its commitment to operational resilience.

Strategic risk

The Bank adhered to its “1-5-5-5-4-3” digitalisation & intelligentisation strategy framework, focusing on innovation within the “Five Priority Tracks” to deliver high-quality products and services. It also accelerated efforts to develop the “Five Digital Pillars” operational model, establish the “Five Core Systems”, implement the “Four Key Strategies”, and strengthen the “Three Guarantee Systems”, advancing capacity-building across the organisation. By deeply embedding the strategic planning process – which spans formulation,

communication, implementation, and execution – the Bank ensured that its strategic goals guide operations effectively, supported by a closed-loop system integrating “Strategy, Planning, Budgeting, and Assessment”.

Given increasing external uncertainties, significant challenges in the banking sector, and the Bank’s critical phase of transformational development, its strategic response has aligned with evolving trends, national priorities, and policy directives. Strategic execution has also shown continuous improvement, with enhanced capacity for managing strategic risks. Overall, the Bank has maintained strategic risk at a stable and controllable level, reinforcing its long-term growth and adaptability amidst complex changes.

Reputational risk

The Bank diligently implemented regulatory requirements and adhered to its closed-loop reputation risk management mechanism, which ensures accountability for monitoring and addressing public sentiment, enabling accurate identification of reputational risks. In addition, the Bank strengthened its offline risk response and enhanced emergency handling capabilities while conducting regular risk reviews, training sessions, drills, and post-incident analyses to improve the management of online public sentiment. Furthermore, the Bank continued its “Inside SPDB” promotional campaign to vividly showcase its contributions to national strategic priorities, support for the real economy, and efforts in inclusive finance, presenting compelling “SPDB Stories” to the public.

Country risk

The Bank optimised its country risk management framework, establishing a Group-wide “1+2+1” system that includes policies for country ratings, exposure limits, stress testing, and emergency plans. Monitoring and response mechanisms were strengthened for high-risk nations and external events, with country-specific limits applied to clients in moderate- and high-risk countries to mitigate risks. These measures enhanced the Bank’s resilience to external shocks and country-specific risks. As a result, the Bank’s country risk exposure structure remained robust, with low-risk countries accounting for 99.6% of its exposure. The utilisation rate of country limits increased to 80%, effectively supporting the high-quality growth of the Bank’s cross-border business. As at 31 December 2024, country risk remained stable and under control.

Off-balance sheet risk

The Bank fully complied with the “Administrative Measures for Off-Balance Sheet Risk Management of Commercial Banks” (《商业银行表外业务风险管理办法》) by incorporating off-balance sheet activities into its overall risk framework. Key measures included conducting stress tests, refining product-related policies, and implementing exposure limits on off-balance sheet activities to enhance risk management efficiency. The Bank advanced its off-balance sheet risk monitoring and digital management systems, leveraging technology to improve the quality and precision of risk oversight. Additionally, it actively promoted risk awareness at branch levels, empowering its network to proactively manage off-balance sheet risks. These initiatives ensured strong risk management capabilities and compliance across the organisation.

INTERNAL CONTROLS

The internal control system of the Bank seeks to ensure legal and regulation compliance of the Bank’s operations, to safeguard the Bank’s assets, to ensure the accuracy of financial and other data, to increase the efficiency of management and to promote the sustainable development of the Bank.

To ensure the effectiveness and efficiency of the Bank’s internal control system, the Bank has implemented a central internal control information management system to allow the collection and sharing of relevant data. Access to relevant laws, regulations and internal rules are also made available to varying levels of management and operations personnel to increase effectiveness of control and coordination between different departments.

The Bank continues to improve the efficiency of its internal rules and regulations through standardisation of procedures and central management. Through regular evaluation and the establishment of channels for feedback, the Bank continues to ensure the effective distribution and implementation of the internal rules and regulations. The Bank continually enhances the rules and regulations through a systematic process of devising, approval, distribution, evaluation and revisions to ensure that they are fit for actual operation and to ensure effective coverage of risks.

The Bank has implemented a clear division of responsibilities for the monitoring of internal control. Firstly, the management and operations of the head office and the branches are responsible for the day-to-day supervision and evaluation. Secondly, the Internal Control Department is responsible for targeted checks, supervision and evaluation, through both conducting evaluation of the internal control management of the branches and through testing of the procedures and system. Thirdly, the Audit Department is tasked with conducting evaluation on an independent basis at the direction of the Board of Directors. The three strands share resources whilst at the same time providing checks and balances to ensure effective internal control.

In 2024, the Bank strengthened its internal control management framework, laying the foundation for robust and effective controls across the Group. Firstly, it launched an institutional optimisation initiative with the aim of “streamlining total volume, clarifying logic, embedding risk, and ensuring a positive user experience”. This involved reviewing key products to align their core policies, supporting procedures, and auxiliary regulations. The Bank undertook a thorough re-assessment of existing policies, incorporating findings from internal and external audits to ensure all policies were systematic, comprehensive, and efficient. Enhanced usability and operability were also prioritised to improve user experience.

Secondly, the Bank carried out targeted remediation in key areas by combining self-inspections at all levels with monitoring and audits led by its headquarters. Comprehensive reviews were conducted on business management activities to reinforce the foundation of internal controls and ensure lawful and compliant operations.

Thirdly, it employed advanced technologies to enhance internal control and compliance capabilities. Digital solutions reduced the reliance on manual interventions, minimising the risk of human manipulation. Meanwhile, systems for monitoring abnormal transactions and employee behaviour enabled real-time monitoring and automated early warnings.

Fourthly, the Bank strengthened case prevention and employee management by tightening accountability at all levels. Identified issues were addressed comprehensively, focusing on root-cause mitigation to prevent recurring violations. Special attention was paid to high-risk areas prone to misconduct or non-compliance. Using a combination of system monitoring, manual audits, and big data analysis, the Bank worked to identify and address risks at their source, effectively mitigating potential threats in their early stages.

SUBSTANTIAL SHAREHOLDERS

The table below sets forth shareholding information of the ten largest ordinary shareholders of the Bank as at 31 December 2024.

Top Ten Ordinary Shareholders

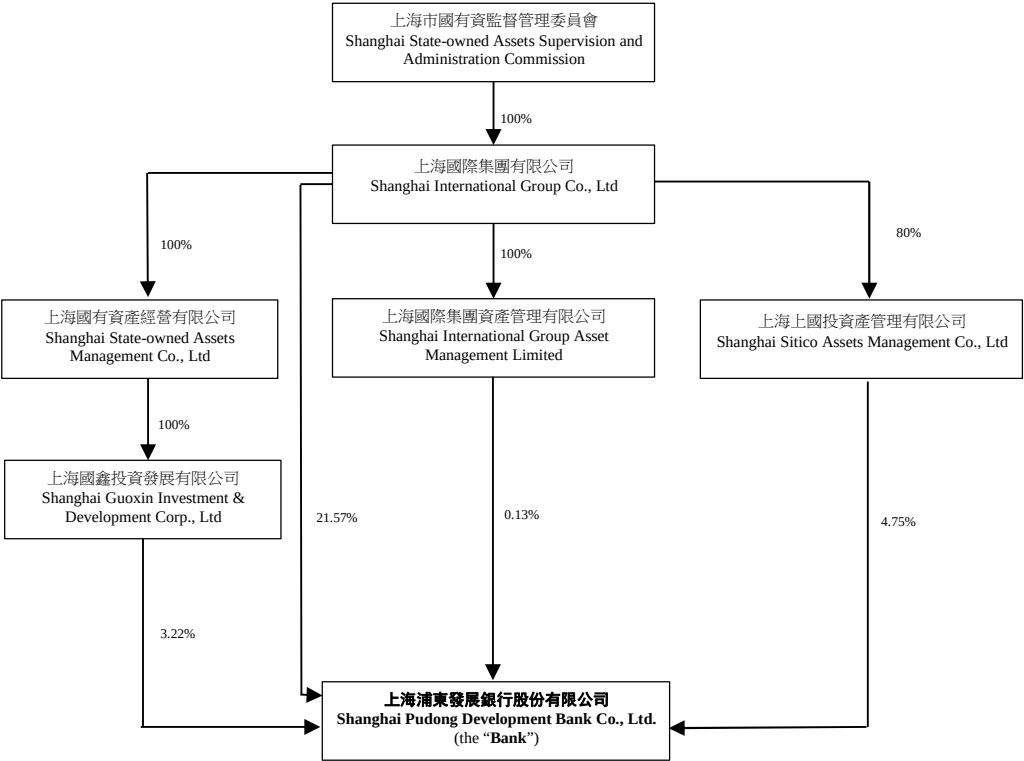
Shareholder name	Number of shares	Percentage	Number of shares with restricted sale conditions	Number of pledged or frozen shares
Shanghai International Group Co., Ltd.	6,331,322,671	21.57	-	-
China Mobile Guangdong.....	5,334,892,824	18.18	-	-
Funde Sino Life Insurance Co., Ltd. – Conventional.....	2,779,437,274	9.47	-	-
Funde Sino Life Insurance Co., Ltd. – Capital	1,763,232,325	6.01	-	-
Shanghai Sitico Assets Management Co., Ltd.	1,395,571,025	4.75	-	-
Funde Sino Life Insurance Co., Ltd. – Universal H.....	1,270,428,648	4.33	-	-
China Securities Finance Corporation Limited	1,179,108,780	4.02	-	-
Shanghai Guoxin Investment & Development Co., Ltd.....	945,568,990	3.22	-	-
Hong Kong Securities Clearing Limited.....	999,331,557	3.40	-	-
Central Huijin Asset Management Ltd.....	387,174,708	1.32	-	-

The Bank's Largest Shareholder

As at 31 December 2024, the Bank's largest ordinary shareholder, on a consolidated basis, was Shanghai International Group. Together with its controlling subsidiaries, Shanghai International Group held 29.82 per cent. of the Bank's share capital as at 31 December 2024.

Shanghai International Group is a wholly state-owned limited liability company. It was founded on 20 April 2000 with a registered capital of RMB30,000 million. Its registered address is at No. 511, Weihai Road, Jing'an District, Shanghai and its legal representative is Mr. ZHOU Jie. The business scope of Shanghai International Group includes investment with finance business, non-finance business, capital operation and asset management, financial research and social and economic consultancy.

The shareholding relationships between the Bank and Shanghai International Group and its affiliates are set out as follows as at 31 December 2024:



Other Substantial Shareholders

Save as disclosed above, there are no other shareholders holding 10 per cent. or more in the ordinary shares of the Bank as at 31 December 2024.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

The following table sets out certain information relating to the Bank's directors as at the date of this Offering Circular.

Name	Position	Date of Appointment
ZHANG Weizhong	Chairman of the Board of Directors, Party Secretary and Executive Director	17 November 2023
ZHAO Wanbing	Deputy Party Secretary and Employee Director	15 November 2023
GUAN Wei	Non-executive Director	16 December 2019
BO Jingang	Non-executive Director	17 June 2022
ZHU Yi	Non-executive Director	17 June 2022
CAI Henry	Independent Director	16 December 2019
WU Hong	Independent Director	16 December 2019
SUN Lijian	Independent Director	17 June 2022
YE Jianfang	Independent Director	17 June 2022
WU Xiaoqiu	Independent Director	28 June 2024

Mr. ZHANG Weizhong, male, born in 1967, has a Master's degree. He previously served as President of the China Construction Bank Dalian Development Zone Branch, Chief Auditor and Director of China Construction Bank Inner Mongolia General Audit Office, Secretary of the Discipline Inspection Commission, Vice President and Party Committee Member of China Construction Bank Hubei Branch, General Manager of China Construction Bank's Inclusive Finance Business Department (Small Enterprises Department) and Director of Corporate Business of China Construction Bank. He currently serves as the Secretary of the Committee of Shanghai Pudong Development Bank Co., Ltd.

Mr. ZHAO Wanbing, male, born in 1970, has a Master's degree. He previously served as Deputy Director of the Research Office of the Shanghai Municipal Committee of the Communist Youth League, Director of the Organization Department (Publicity Department, United Front Work Department) of the Shanghai Financial Committee (CPC), Director of the Financial Stability Department, the Deputy Director of the Shanghai Financial Office and Deputy Director of the Shanghai Municipal Financial Regulatory Bureau (Shanghai Financial Work Bureau). He currently works as the Deputy Secretary of the Party Committee of the Bank.

Ms. GUAN Wei, female, born in 1971, has a Master's degree, and is a Senior Accountant. She previously served as Assistant Manager of the Financial Management Department at Shanghai Shentong Metro Group Co., Ltd., Deputy Manager and Manager of the Financial Management Department, Discipline Inspection Commission Member, Manager of the Auditing and Supervision Department, and Member of the Board of Supervisors at Shanghai Jiushi (Group) Co., Ltd., Party Branch Secretary and General Manager of Shanghai City Tour Card Development Co., Ltd., CFO of Shanghai Land (Group) Co., Ltd., and CFO of Shanghai International Group Co., Ltd. She currently works as Vice President and CFO of Shanghai International Group Co., Ltd., Chairwoman of Shanghai State-owned Assets Management Co., Ltd., Director of Guotai Junan Securities Co., Ltd., Director of Sailing International Investment Fund (Shanghai) Co., Ltd., Director of Sailing Capital Management Co., Ltd. and Director of Shanghai Guosheng Capital Management Co., Ltd.

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

Mr. ZHU Yi, male, born in 1964, has a Master's degree, and is a Senior Accountant. He previously served as Deputy Director of the Corporate Audit Division of the Audit Bureau of the Ministry of Posts and Telecommunications, Chief of the Infrastructure Finance Division of the General Administration of Posts and Telecommunications of China, Director of the Fund Allocation Center and Deputy General Manager of the Finance Department of China Mobile Communications Corporation, and General Manager of China Mobile Financial Company Limited. He currently works as Chairman and Party Committee Secretary of China Mobile Financial Company Limited and Director of China Mobile State Investment Innovation Investment Management Co., Ltd.

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

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

Mr. SUN Lijian, male, born in 1962, has a Doctorate degree. He previously served as Assistant Professor at a Tongji University branch, Design Assistant at Nose Shuji Architectural Research Institute in Japan, and Member of the 7th State Council Academic Degree Committee for Applied Disciplines. He currently works as Professor of the School of Economics at Fudan University.

Ms. YE Jianfang, female, born in 1966, has a Doctorate degree. She previously served as Lecturer and Associate Professor at Shanghai University of Finance and Economics. She currently works as Professor and Doctoral Supervisor at the School of Accountancy of Shanghai University of Finance and Economics, Independent Director of Bank of Suzhou Co., Ltd., Independent Director of Shanghai New Power Automotive Technology Company Limited, Independent Director of Shanghai Shibe Hi-Tech Co., Ltd., and Independent Director of Shanghai Aj Trust Co., Ltd.

Mr. WU Xiaoqiu, male, born in 1959, has a Doctorate degree. He previously held several prominent academic and administrative positions at Renmin University of China (RUC), including Professor and Director of the

Institute of Economics, Deputy Dean of the School of Finance, and Director of the Securities Research Institute. He also served as Assistant to the President, Executive Dean of the Graduate School, and Vice President of RUC. Currently, he is the Dean of the National Academy of Finance at RUC and the Dean of the China Capital Market Institute. He is also a National First-Class Professor and serves as an Independent Director at Sunshine Insurance Group Corporation Limited.

Supervisors

The following table sets out certain information relating to the Bank's supervisors as at the date of this Offering Circular.

Name	Position	Date of Appointment
SUN Wei	Shareholder Supervisor	16 December 2019
CAO Yijian	Shareholder Supervisor	16 December 2019
LI Qingfeng	Shareholder Supervisor	16 December 2019
WU Jian	External Supervisor	16 December 2019
WANG Yuetang	External Supervisor	16 December 2019
ZHANG Baoquan	Employee Supervisor	29 December 2020
HE Weihai	Employee Supervisor	16 December 2019
ZHANG Yong	Employee Supervisor	28 December 2023

Mr. SUN Wei, male, born in 1970, has a Master's degree. He previously served as Deputy General Manager of Shanghai Faiveley Transport Vehicle Equipment Co., Ltd., Manager of Industry Development Department of Shanghai Electric Group Company Limited, Assistant General Manager and Deputy General Manager of Shanghai Rail Traffic Equipment Co., Ltd., General Manager of Screen Door Engineering Company under Shanghai Rail Traffic Equipment Co., Ltd., Deputy Head and Head of Strategic Planning Department of Shanghai Electric (Group) Corp., and Head of Industry Development Department of Shanghai Electric Group Company Limited. He currently works as Chairman of Bailian Group Co., Ltd., Chairman of Shanghai No.1 Pharmacy Co., Ltd. and Director of Shanghai Bailian Lingang Construction Development Co., Ltd.

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

Mr. LI Qingfeng, male, born in 1971, has a Master's degree. He previously served as General Manager of Shanghai Jiuheng Futures Brokerage Limited, and Chief Economist, Deputy General Manager and Deputy Secretary of General Party Branch of Shanghai Jiulian Group Limited. He currently works as Party Committee Secretary and Chairman of Shanghai Jiulian Group Limited, Chairman of Shanghai Petroleum Exchange, Director of Shenergy Total LNG (Shanghai) Co., Ltd. and Executive Director of Shanghai Gas (Group) Co., Ltd.

Mr. WU Jian, male, born in 1968, has a Master's degree. He previously served as Assistant Economist of Shanghai Price Bureau at Shanghai Planning Committee, Legal Advisor to McDonald's China Development Company, Member of Council of the Shanghai Lawyers Association, and Independent Director of Pramerica Fosun Life Insurance Co., Ltd. He currently works as Board Chairman and Chairman of Joint Conference at Duan & Duan, Independent Director of Shanghai Wai Gaoqiao Free Trade Zone Development Co., Ltd., Independent Director of ORG Technology Co., Ltd., Independent Director of West Shanghai Automotive Service Co., Ltd., Director of INESA (Group) Co., Ltd., and Director of YEIG (Shanghai) Energy Development Co., Ltd. Besides, he is also a Deputy to the 15th Shanghai Municipal People's Congress.

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

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

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

Mr. ZHANG Yong, male, born in 1972, a Party member, has a Master's degree. He previously served as General Manager of the Corporate Finance Department of SPD Bank Tianjin Branch, Director of the Binhai New Area Business Department and Executive Deputy General Manager of the Direct Equity Fund Business Department of SPD Bank, Party Secretary and President of SPD Bank Tianjin Branch, and Secretary of the Party Committee and President of SPD Bank Qingdao Branch. He currently serves as Party Committee Secretary and President of SPD Bank Beijing Branch.

Senior Management

The following table sets out certain information relating to the Bank's senior management as at the date of this Offering Circular.

Name	Position	Date of Appointment
XIE Wei	President	17 July 2024
CUI Bingwen	Vice President and Chief Legal Advisor	16 December 2019
KANG Jie	Vice President	8 September 2023
GAO Weihua	Head of Discipline Inspection and Supervision Office at SPD Bank	6 November 2024
DING Wei	Vice President	7 June 2024
ZHANG Jian	Vice President and Secretary to the Board of Directors	7 June 2024

Mr. XIE Wei, male, born in 1971, has a Master's degree, and is a Senior Economist. He previously acted as General Manager of Corporate Banking Department of CCB Henan Branch, Party Committee Secretary and General Manager of CCB Xuchang Branch, General Manager of Development Management Department of Corporate and Investment Banking Headquarters of SPD Bank, Deputy General Manager of Corporate and Investment Banking Headquarters of SPD Bank and concurrently General Manager of Investment Banking Department, Development Management Department and Key Client Department, Party Committee Secretary and General Manager of SPD Bank Fuzhou Branch, General Manager of SPD Bank Treasury Headquarters, General Manager of SPD Bank Asset Management Department, and General Manager of SPD Bank Financial Markets Department. He currently works as Party Committee Member, Vice President, Secretary to the Board, and Director of Financial Market Business of SPD Bank, and Chairman of AXA SPDB Investment Managers Co., Ltd. **Mr. CUI Bingwen**, male, born in 1969, has a Doctorate degree, and is a Senior Economist. He previously acted as Deputy Head of Jinxi Sub-branch, Deputy Head (in overall charge) of Dongli Sub-branch of ICBC Tianjin Branch, Head of the Human Resources Department, General Manager of the Corporate Banking Department, Party Committee Member, Head Assistant, Deputy General Manager, Party Committee Secretary and General Manager of SPD Bank Tianjin Branch, Party Committee Secretary and General Manager of SPD Bank Beijing Branch and concurrently General Manager of the Group Customer Department and General Manager of the Financial Markets Department (Beijing) of SPD Bank Head Office. He currently works as Party Committee Member, Vice President and Chief Legal Advisor of SPD Bank.

Mr. KANG Jie, male, born in 1969, holds a Bachelor's degree. He previously served as the Section Chief for Cadre Management in the Human Resources Department, Deputy Secretary and Secretary of the Youth League Committee, Vice President of the Qingpu Branch, Vice President (and Acting Head) of the Huangpu Branch, Head of the Huangpu Branch, and Vice President of Shanghai Rural Commercial Bank. He also served as a Party Committee Member and Deputy Director of the Shanghai SASAC. He is currently the Vice President of SPD Bank and Chairman of Shanghai Technology Innovation Bank Co., Ltd.

Mr. GAO Weihua, male, born in 1969, holds a Bachelor's degree and the professional title of Senior Political Administrator. He previously served as the Deputy Director and Director of the Supervision Office and Deputy Secretary of the Discipline Inspection Commission at Shanghai Pharmaceuticals (Group) Co., Ltd. He also

served as Deputy Secretary of the Discipline Inspection Commission at the Shanghai SASAC, Deputy Group Leader of the Discipline Inspection Group stationed at the Shanghai SASAC's Party Committee, and Deputy Group Leader of the Discipline Inspection and Supervision Group at the Shanghai SASAC's Party Committee under the Shanghai Commission for Discipline Inspection and Supervision. He also held roles as Secretary of the Discipline Inspection Commission, Party Committee Member, and Vice Chairman of the Supervisory Board at Bright Food (Group) Co., Ltd., as well as the Supervision Commissioner stationed at Bright Food Group by the Shanghai Supervisory Commission. He is currently the Group Leader of the Discipline Inspection and Supervision Group stationed at SPD Bank by the Shanghai Commission for Discipline Inspection, as well as a Party Committee Member of SPD Bank.

Ms. DING Wei, female, born in 1971, holds a Master's degree in Business Administration and the professional title of Senior Economist. She previously served as Deputy Director of the Credit Card Operations Centre at the Shanghai Branch of China Construction Bank, and Deputy General Manager of the Personal Banking Department. At SPD Bank, she has held roles as General Manager of the Bankcard Division in the Head Office Personal Banking Department, Deputy General Manager of the Personal Banking Department, General Manager of the Electronic Banking Department (Mobile Banking Department), General Manager of the Retail Banking Department, Party Committee Member in the Head Office, Retail Business Director, and General Manager of the Retail Banking Department. She is currently a Party Committee Member and Vice President of SPD Bank.

Mr. ZHANG Jian, male, born in 1975, holds a Doctorate degree. He previously served as Deputy General Manager of the Financial Markets Department at the SPD Bank Head Office, Deputy Director of the Head Office Administration Office, Deputy Party Secretary and Secretary of the Discipline Inspection Commission in the Shanghai Branch, Deputy Party Secretary and Vice President of the Shanghai Branch, Party Secretary and President of the Nanchang Branch, Party Secretary and President of the Zhengzhou Branch, General Manager of the Asset and Liability Management Department at the Head Office, and General Manager of the Asset, Liability, and Financial Management Department at the Head Office. He is currently a Vice President and Board Secretary of SPD Bank and Chairman of SPDB-AXA Fund Management Co., Ltd.

TAXATION

The following summary of certain PRC, Hong Kong and EU tax consequences of the purchase, ownership and disposal of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

PRC TAXATION

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the Enterprise Income Tax Law promulgated on 16 March 2007 and effective on 1 January 2008, as amended on 29 December 2018, and the PRC Individual Income Tax Law, as amended on 31 August 2018 and effective on 1 January 2019, and their implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-resident Noteholders, including non-resident enterprises and non-resident individuals.

On 23 March 2016, the MOF and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (关于全面推开营业税改征增值税试点的通知) (Caishui [2016] No. 36, “**Circular 36**”) which confirms that business tax was replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the relevant Issuer.

(i) In the event that the Issuer is the Bank

In the event that the Issuer is the Bank, the Bank will be subject to withhold PRC income tax on the payment of interest of the Notes to non-resident Noteholders. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest, in each case, unless a lower rate is available under an applicable tax treaty. For example, the tax so charged on interests paid on the Notes to non-resident Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between the mainland China and Hong Kong for purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to such arrangement. Further, given that the Bank is located in the PRC, in the event that the Issuer is the Bank, holders of the Notes

would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. Given that the Bank pays interest income to Noteholders who are located outside of the PRC, the Bank, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC. The Bank has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the “*Terms and Conditions of the Notes*”.

(ii) *In the event that the Issuer is a Branch Issuer*

In the event that the Issuer is a Branch Issuer, the relevant Issuer is not obliged to withhold PRC income tax at the rate up to 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) on the payments of interest made by it to non-resident Noteholders provided that the payments are made outside of the territory of PRC. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the interest on the Notes payable by the relevant Issuer is treated as income sourced from the PRC, a withholding tax may be imposed on such interest and the relevant Issuer will pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Conditions. If the Bank shall perform the obligation of paying interest of the Notes in the event and only when the relevant Branch Issuer fails to perform its obligations of paying the interest of the Notes, the Bank will be obliged to withhold PRC income tax at a rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) (unless a lower rate is available under an applicable tax treaty) and PRC VAT tax at the rate of 6 per cent. of the interest component of the amount payable by the Bank to the Noteholders if the PRC tax authority views such component as an interest income arising within the territory of the PRC.

Non-resident Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-resident Noteholders, except however, if such capital gains are determined as income sourced in China, accordingly such capital gains would be subject to the rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) of PRC withholding tax unless there is a lower tax rate applicable. There is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be treated as income sourced within the PRC which as a result will be subject to PRC individual income tax.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically VAT prescribed under Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

Pursuant to the EIT Law, IIT Law and the VAT reform detailed above, in the case of (i) and (ii), the relevant Branch Issuer or the Bank shall withhold EIT or IIT, (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the relevant Branch Issuer or the Bank shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that such relevant Branch Issuer and the Bank are required to make such a deduction or withholding (whether by way of EIT, IIT or VAT otherwise), each relevant Branch Issuer and the Bank have agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would

have been received by them had no such withholding or deduction been required. For more information, see “*Terms and Conditions of the Notes – Condition 13 (Taxation)*”.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person (other than a financial institution) who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal and redemption of the Notes will be subject to Hong Kong profits tax.

In addition, pursuant to various foreign-sourced income exemption legislation in Hong Kong (together, the “**FSIE Amendments**”, of which the latest amendment became effective from 1 January 2024), specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined, and subject to certain exceptions, in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is

received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes by the relevant Issuer, provided that either:

- (a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable, it is payable by the relevant Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes issued by the relevant Issuer if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes, provided that either:

- (a) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (b) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

With effect from 17 November 2023, if stamp duty applies to the transfer of Registered Notes required to be registered in Hong Kong and which are not otherwise exempt, it will be payable in respect of the transfer of Registered Notes, it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA WITHHOLDING

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Bank is a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the relevant Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru

payments are published in the U.S. Federal Register and Notes issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under “*Terms and Conditions of the Notes – Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

BANKING REGULATION AND SUPERVISION IN THE PRC

OVERVIEW

The banking industry in the PRC is highly regulated. The principal regulatory authorities in the PRC banking industry include the NAFR and the PBOC. The NAFR is responsible for supervising and regulating banking institutions, and the PBOC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies. The principal laws and regulations relating to the PRC banking industry are the People's Bank of China Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China and the Banking Supervision and Regulatory Law of the People's Republic of China, and the rules and regulations established thereunder.

NAFR (formerly known as the CBIRC)

Functions and Powers

The NAFR is the principal regulatory authority in the PRC responsible for the supervision and regulation of banking institutions operating within the PRC, including commercial banks, urban credit cooperatives, rural credit cooperatives, other deposit-taking financial institutions and policy banks, as well as certain non-bank financial institutions, such as asset management companies, trust and investment companies, finance companies, financial leasing companies and other financial institutions that can only be set up with the NAFR's approval. The NAFR is also responsible for the supervision and regulation of the entities established by domestic financial institutions outside the PRC and the overseas operations of such institutions. According to the Banking Supervision and Regulatory Law of the People's Republic of China and relevant regulations, the NAFR's primary regulatory responsibilities include:

- formulating and issuing rules and regulations governing banking institutions and their activities;
- examining and approving the establishment, change and termination of banking institutions and their scope of business, as well as granting banking licences to commercial banks and their branches;
- regulating the business activities of banking institutions, including their products and services offered;
- setting qualification requirements for, and approving and overseeing the nomination of, directors and senior management personnel of banking institutions;
- setting prudential guidelines and standards for risk management, internal control, capital adequacy, asset quality, allowance for impairment losses, risk concentration, related party transactions and asset liquidity requirements for banking institutions;
- conducting on-site examinations and off-site surveillance of the business activities and risk levels of banking institutions;
- imposing integrated supervision on banking institutions;
- establishing emergency disposal mechanisms with relevant authorities in the banking sector and formulating emergency disposal plans;
- imposing corrective and punitive measures for violations of applicable banking regulations; and
- drafting and publishing statistics and financial reports of national banking institutions.

Supervision over Capital Adequacy

In January 2013, the CBRC (now the NAFR) implemented the Capital Management Rules regulating capital adequacy ratios (“CAR”) of PRC commercial banks. The Capital Management Rules, which are intended to reflect the Basel III regulatory capital requirements, set out minimum CAR requirements for commercial banks and provide detailed guidelines on the calculation of “capital” and “risk-weighted assets”. The CBRC promulgated the Capital Management Rules on 7 June 2012 based on the reform of the banking industry and the existing regulatory framework of the PRC. The Capital Management Rules establish a unified regulatory system in respect of the capital adequacy ratio, clarify the definition of capital, expand the range of capital risk coverage, raise the bottom line for the capital adequacy ratio and set a six-year transition period (from 2013 to 2018) for banks to comply with capital adequacy ratio requirements. On 30 November 2012, the CBRC issued the Notice on Matters in relation to the Implementation of Transition Period Arrangements in the (Trial) Measures on the Administration of the Capital of Commercial Banks, which provides the regulatory standards and implementation course for the transition period.

On 26 October 2023, the NAFR promulgated the New Capital Management Rules, which became effective from 1 January 2024. As a result, the Bank is required to maintain a minimum core tier one capital adequacy of five per cent., a minimum tier one capital adequacy of six per cent. and a minimum capital adequacy of eight per cent. In addition, the domestic systemically important bank is required to maintain a further capital surcharge above prevailing Core Tier 1 Capital requirements as separately stipulated by the PBOC in conjunction with the NFRA. The CARs are calculated in accordance with the New Capital Management Rules as follows:

$$\begin{aligned}\text{CAR} &= \frac{\text{Total Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\% \\ \text{Tier 1 CAR} &= \frac{\text{Tier 1 Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\% \\ \text{Core Tier 1 CAR} &= \frac{\text{Core Tier 1 Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%\end{aligned}$$

Further details regarding the basic principles of such calculations can be obtained at the official website of the NAFR.

The contents of this website do not form a part of this Offering Circular.

Examination and Supervision

The NAFR (formerly known as the CBIRC), through its headquarters in Beijing and its bureaux throughout the PRC, monitors the operations of banks and their branches through on-site examinations and off-site surveillance. On-site examinations generally include inspecting a bank’s business premises, interviewing its employees, senior management and directors for an explanation of significant issues relating to its operations and risk management, and reviewing relevant documents and materials kept by the bank. The NAFR also conducts off-site surveillance by reviewing financial and other reports regularly submitted by banks and monitoring banks’ business activities and risk exposure status to evaluate and analyse the operational risk of the banks.

If a banking institution is not in compliance with an applicable banking regulation, the NAFR is authorised to impose corrective and punitive measures, including fines, ordering the suspension of certain business activities, restrictions on dividends and other forms of distributions and asset transfers, and suspending the opening of

new branches. In extreme cases, or when a commercial bank fails to take corrective action within the time period specified by the NAFR, the banking institution may be ordered to suspend operations and may revoke its operating-business licence. In the event of a crisis or failure within a banking institution, the NAFR may assume control over, or facilitate the restructuring of, such banking institution.

PBOC

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the PRC financial markets. According to the People's Bank of China Law of the People's Republic of China and relevant regulations, the PBOC is empowered to:

- issue and implement orders and regulations in relation to its duties;
- formulate and implement monetary policy in accordance with laws;
- issue Renminbi and administer its circulation;
- regulate the interbank money market and the interbank bond market;
- implement foreign exchange controls and regulate the interbank foreign exchange market;
- regulate the gold market;
- hold, administer and manage state reserves of foreign exchange and gold;
- manage the national treasury;
- safeguard the normal operation of payment and clearing systems;
- guide and coordinate the financial industry in its anti-money laundering activities and take responsibility for monitoring capital in respect of anti-money laundering;
- take responsibility for financial industry statistics, surveys, analyses and forecasts;
- participate in international financial activities in its capacity as the central bank of the PRC; and
- undertake other duties as prescribed by the State Council.

On 15 August 2013, the State Council issued the Reply of the State Council on the Establishment of the Interdepartmental Coordination Joint Meeting System for Financial Supervision (国务院关于同意建立金融监管协调部际联席会议制度的批复), which aims to build up an interdepartmental coordination joint meeting system. The PBOC shall take the lead at such joint meeting, with the NAFR, the CSRC, the CIRC and the SAFE being the major members. The National Development and Reform Commission and the MOF may be invited to attend the joint meetings, if necessary.

PRC CURRENCY CONTROLS

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified and trades through e-commerce can also be settled in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The PBOC also permit enterprises in the Shanghai FTZ to establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pooling programme. In November 2016, PBoC Shanghai Headquarters further allowed banks in Shanghai to provide multinational enterprise groups with services of full-function onshore cash pooling, which will enable broader scope for utilising pooled cash.

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯帳戶的通知, 匯發[2019]29 號) which became effective on 1 February 2020. SAFE has decided to review and integrate certain foreign exchange accounts and further reduce the types of accounts in order to further intensify the reform of foreign exchange administration, simplifying the relevant business operating procedures, and facilitate true and compliant foreign exchange transactions by banks, enterprises and other market participants, for example, “current accounts – foreign currency cash account” and “current accounts – foreign exchange account under current accounts of overseas institutions” are included in “current accounts – foreign exchange settlement account”.

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知, 匯發[2019]28 號), based on which, for the revenue obtained by an enterprise from trade in goods, the enterprise may, on its own, decide whether to open a to-be-inspected account for export revenue (“**to-be-inspected account**”). If an enterprise has not opened a to-be-inspected account, the examined revenue from trade in goods by the Issuer in accordance with the existing provisions may be directly deposited into the foreign exchange account under current accounts or used for foreign exchange settlement.

On 10 April 2020, the SAFE issued Notice of the SAFE on Optimising Foreign Exchange Administration to Support the Development of Foreign-related Business (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知, 匯發[2020]8 號), which relaxed the purchase of foreign exchange with export background for repayments of domestic foreign exchange loans and the examination and endorsement formalities. For example, financial institutions examining foreign exchange receipts and payments under the current account pursuant to the provisions may, based on internal control requirements and actual business needs and under the substantive compliance principle, decide on their own whether to endorse the amount and date of foreign exchange receipts

and payments on the original copy of the document, and affix the business seal, but shall retain examination materials pursuant to the prevailing provisions for future inspection.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms, foreign enterprises are now permitted use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as “foreign debt”) and lend Renminbi-denominated loans to foreign borrowers (which are referred to as “outbound loans”), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as “cross-border security”). Under current rules promulgated by the SAFE and PBOC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) regime and the China Interbank Bond Market (“**CIBM**”), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening up. In 2018, CFETS further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯帳戶的通知, 匯發[2019]29 號) which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, “Capital accounts – special account for domestic reinvestment” is included in “capital accounts – foreign exchange capital account”.

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知, 匯發[2019]28 號) in order to further promote the reform of “simplification of administrative procedures and decentralization of powers, combination of decentralization and appropriate control, and optimization of services”. It cancelled restrictions on the use of funds in domestic asset realisation accounts for foreign exchange settlement and restrictions on the number of opened foreign exchange accounts under capital accounts.

On 10 April 2020, the SAFE issued Notice of the SAFE on Optimising Foreign Exchange Administration to Support the Development of Foreign-related Business (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知, 匯發[2020]8 號), which aimed to promoting the reform of facilitating the payment of income under the capital account. For example, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

Dealer Agreement

Subject to the terms and on the conditions contained in the Dealer Agreement, the Notes will be offered on a continual basis by the relevant Issuer to the Dealers. However, the relevant Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers as at the date of the Dealer Agreement. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The relevant Issuer has agreed to reimburse each Arranger for certain of its expenses incurred in connection with the establishment and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The relevant Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Arranger or Dealer or any affiliate of such Arranger or Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Arranger or Dealer or such affiliate on behalf of the relevant Issuer in such jurisdiction.

The Arrangers, the Dealers or any of their respective affiliates may have performed certain banking and advisory services for the relevant Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the relevant Issuer and/or its affiliates in the ordinary course of the relevant Issuer's or their business. The Dealers or certain of their respective affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

In connection with each Series of the Notes issued under the Programme, the relevant Issuer, the Arrangers, the Dealers and/or their respective affiliates may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the relevant Issuer, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the relevant Issuer, the Arrangers, the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see "*Risk Factors – Risks Relating to the Market Generally – Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity*"). The relevant Issuer, the Arrangers and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

Important Notice to CMIs (including private banks) Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the relevant Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the relevant Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the relevant Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the relevant Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Dealers that it is not a Sanctions Restricted Person. A “Sanctions Restricted Person” means an individual or entity (a “**Person**”): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current “Specially Designated Nationals and Blocked Persons” list (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/sdnlist.pdf>) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current “Consolidated list of persons, groups and entities subject to EU financial sanctions” (which as of the date hereof can be found at: <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en>); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) – (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current “Sectoral Sanctions Identifications” list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the “SSI List”), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the “**EU Annexes**”), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce’s Bureau of Industry and Security (“**BIS**”) under which BIS has restricted exports, re-exports or

transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled “Addressing the Threat from Securities Investments that Finance Certain Companies of the People’s Republic of China” (known as the Non-SDN Chinese Military- Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled “Addressing the threat from Securities Investments that Finance Chinese Military Companies”; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk’s People’s Republic or Luhansk People’s Republic. “Sanctions Authority” means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People’s Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty’s Treasury.

Selling Restrictions

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

United States

The following paragraph shall apply in respect of any Notes the Pricing Supplement for which specifies that “Regulation S Category 1” applies.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or, in the case of Bearer Notes, deliver the Notes, and that it will not offer, sell or, in the case of Bearer Notes, deliver, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meaning given to them by Regulation S.

The following paragraphs shall apply in respect of any Notes the Pricing Supplement for which specifies that “Regulation S Category 2” applies.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United

States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, and each further Dealer appointed under the Programme will be required to represent and agree that, it has not offered, sold or, in the case of Bearer Notes, deliver and will not offer, sell or, in the case of Bearer Notes deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each distributor, dealer or person to which it sells the Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction under the Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, as amended.

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation, and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction under the UK Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) if the final terms in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the Financial Conduct Authority provided that any such prospectus has subsequently been completed by pricing supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable, and the relevant Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

United Kingdom

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “**FIEA**”). Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan.

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold directly or indirectly in the People’s Republic of China (the “**PRC**”) (which, for the sole purpose herein, does not include Hong Kong, Macau or Taiwan). This Offering Circular, the Notes and any material or information contained or incorporated by reference herein relating to the Notes have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission (“**CSRC**”) or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. Neither this Offering Circular nor any material or information contained or incorporated by reference herein relating to the Notes constitutes an offer to sell or the solicitation of an offer to buy any securities in the PRC.

The Notes may only be invested by PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. PRC investors are responsible for informing themselves about and observing all legal and regulatory restrictions, obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the People’s Bank of China, the State Administration of Foreign Exchange, CSRC, the NAFR and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or overseas investment regulations.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) other than (i) to “professional investors” as defined in the SFO, and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**CWUMPO**”) or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the

securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Macau

Each of the Dealers has represented, warranted and agreed that the Notes may not be offered, sold or delivered to members of the public in Macau.

Taiwan

Each of the Dealers has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that the Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, in Taiwan, to investors other than “professional institutional investors” as defined under Paragraph 2, Article 19-7 of the Regulations Governing Securities Firms of Taiwan, currently including overseas or domestic banks, insurance companies, bills finance companies, securities firms, fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, securities investment trust enterprises, securities investment consulting enterprises, trust enterprises, futures commission merchants, futures service enterprises, and other institutions approved by the Financial Supervisory Commission of Taiwan.

GENERAL INFORMATION

Authorisations

The Bank has obtained all necessary consents, approvals and authorisations in connection with the update of the Programme and the issue of the Notes thereunder. The establishment and update of the Programme and the issue of the Notes thereunder was authorised by the resolutions of the Board of the Bank on 29 April 2015, 18 July 2018, 25 March 2021 and 28 March 2024. PRC counsel to the Bank and the Dealers have advised that no approvals or consents were required from any regulatory authorities or other relevant authorities in the PRC for the Bank to enter into the Dealer Agreement, the Deed of Covenant and the Agency Agreement. The Bank and each relevant Branch Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes.

NDRC Approval

Where applicable for a relevant Tranche of Notes, the Notes will be issued in accordance with the NDRC Measures. After the issuance of such relevant Tranche of Notes, the Branch Issuer (acting through the Bank) or, as the case may be, the Bank, will provide the requisite information and documents within the prescribed timeframe after the relevant Issue Date in accordance with the NDRC Measures.

Litigation

None of the relevant Issuer, the Bank or any of other member of the Group is involved in any litigation or arbitration proceedings that the relevant Issuer or the Bank believes are material in the context of the issue of Notes or have a material adverse impact on the relevant Issuer, the Bank or the Group or any of their subsidiaries or any of their respective assets. The relevant Issuer or, as the case may be, the Bank is not aware of any pending or threatened proceedings, which are material in the context of the issue of the Notes.

No Material Adverse Change

Since 31 December 2024, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the relevant Issuer, the Bank or any of its subsidiaries.

Documents Available

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon written request), during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal place of business of the Bank at 12, Zhongshan Road (E-1), Shanghai, 200002, PRC:

- (a) the Deed of Covenant;
 - (b) the constitutive documents of the Bank;
 - (c) the audited consolidated financial statements of the Bank as at and for the years ended 31 December 2023 and 2024; and
 - (d) the most recent annual and interim reports (including the financial statements) published by the Bank, and at the specified office of the Fiscal Agent, being at the date of this Offering Circular, at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom:
- (i) the Agency Agreement (which includes the form of the Global Notes, the Global Note Certificate, the Notes in definitive form, the Coupons, the Receipts and the Talons);

- (ii) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Fiscal Agent as to its holding of Notes and identity); and
- (iii) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

Clearing of the Notes

Notes have been accepted for clearance through the Euroclear and Clearstream systems. The relevant ISIN, the Common Code and the Legal Entity Identifier (LEI) Code will be specified in the applicable Pricing Supplement. The relevant Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be set out in the relevant Pricing Supplement.

Financial Statements

The Group's 2023 Financial Statements and the Group's 2024 Financial Statements have been prepared in accordance with IFRS and are audited by KPMG, as stated in its reports appearing herein. The unaudited and unreviewed consolidated quarterly financial statements as at and for the three months ended 31 March 2025 were prepared under PRC GAAP. The audited consolidated financial statements of the Bank have been prepared in Chinese only, which can be downloaded free of charge from the websites of the Shanghai Stock Exchange at <http://www.sse.com.cn> and the Bank at <http://www.spdb.com.cn>, respectively. Such Chinese Financial Statements are deemed to be incorporated in, and to form part of, this Offering Circular. The Bank has prepared the English translations of its audited consolidated financial statements as at and for the years ended 31 December 2023 and 2024, which are included elsewhere in this Offering Circular for reference only.

Should there be any inconsistency between the Chinese Financial Statements and the English translations, the Chinese Financial Statements shall prevail. The English translations do not constitute audited or, as the case may be, unaudited but reviewed financial statements, and are qualified in their entirety by, and are subject to the financial information set out or referred to in, the Chinese Financial Statements.

Listing of Notes

Application has been made to the HKSE for the listing of the Programme on the HKSE under which Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the HKSE.

Separate application may be made for the listing of, and the permission to deal in, the Notes on the HKSE. The issue price of Notes listed on the HKSE will be expressed as a percentage of their nominal amount. Listing of any Notes on the HKSE is not to be taken as an indication of the merits of the Programme, the Notes, the relevant Branch Issuer, the Bank or the Group. The HKSE assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein.

Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. If the application to the SGX-ST to list a particular Series of Notes is approved, for so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least S\$200,000 (or its equivalent in other currencies).

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for

payment or redemption, in the event that a Global Note is exchanged for Definitive Note(s). In addition, in the event that a Global Note is exchanged for Definitive Note(s), an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Note(s), including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

The following English translations of the Bank's audited consolidated financial statements are for reference only. Should there be any inconsistency between the Chinese Financial Statements and the English translations, the Chinese Financial Statements shall prevail.

English Translation of Consolidated Financial Statements for the year ended 31 December 2024⁽¹⁾

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English Translation of Consolidated Financial Statements for the year ended 31 December 2023⁽¹⁾

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Note:

- (1) The Bank's audited consolidated financial statements for the years ended 31 December 2023 and 2024 (together with the independent auditor's reports) set out herein are reproduced or translated from the Bank's annual reports for the years ended 31 December 2023 and 2024, respectively. Page references referred to in the auditor's reports named above refer to pages set out in such annual reports.

ISSUER

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**CMU LODGING AND PAYING AGENT, CMU
REGISTRAR AND CMU TRANSFER AGENT**

**The Bank of New York Mellon,
Hong Kong Branch**

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Linklaters

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To the Arrangers and the Dealers as to English law

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Shanghai United Law Firm

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Shanghai Pudong Development Bank Co., Ltd.

Financial Statements
for the year ended 31 December 2024

English Translation of the Financial Statements

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

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

KPMG Huazhen Tongzi NO. 2500100

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 147, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2024, and the consolidated and the Bank's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Bank's financial position as at 31 December 2024, and its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

KPMG Huazhen Tongzi NO. 2500100

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; - Utilizing the work of our information technology experts and financial risk management experts to understand and evaluate the design and operating effectiveness of information system controls, including: general information technology control, completeness of key internal historical data, inter-system data transmission, mapping of parameters of ECL model, and system calculation logic of loss allowance for ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments, based on the works of our Information Technology Risk Management ("IRM") Specialists and Financial Risk Management ("FRM") Specialists;

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
The Group assesses whether the credit risks of loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments have increased significantly since their initial recognition, and applies a three-stage impairment model to measure their ECL. For loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.	- Based on the work of FRM Specialists, evaluating the reliability of ECL models and parameters used by management, including prudently evaluating probability of default, loss given default, exposure at default, discount rate, forward-looking information adjustment and other adjustment factors, and evaluating the reasonableness of key management judgments involved; - 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 modifications of key estimates and parameters input, and assessed the consistency of judgement used by management;

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

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Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following: (1) Division of business operations sharing similar credit risk characteristics into the same group, selection of appropriate models and determination of relevant key parameters; (2) Criteria for determining a significant increase in credit risk, default and credit impairments; (3) Application of economic indicators, economic scenarios and their respective weightings for forward-looking information.	- Comparing the predictive economic indicators used by the management to measure the ECL in the previous year with the actual situation of the current year to consider whether there are indicators of management bias; - For key internal data which was generated by the system calculation, we selected samples and compared the input data used in the system with the original business files to evaluate the accuracy of the data input. In addition, based on the work of IRM Specialists, we selected samples and tested the logic of preparing overdue information of loans and advances to customers; - Selecting samples to assess the reasonableness of management judgement on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. We analysed the loan portfolio and financial investments at amortized cost by industry sector to select samples in industries sensitive to the current business cycle and regulatory policies. We also focused on loans and financial investments at amortized cost with perceived higher risk and selected samples from loans credit impairment has occurred, overdue but credit impairment has not occurred, a significant increase in credit risk and borrowers with warning signs, adverse press coverage. On the basis of sample selection, we reviewed the business documents, checked the overdue information, inquired customer managers about the operation conditions of borrowers, checked the financial information of the borrower and searched for market information about the borrower's business and operation;

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)

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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 the ECL measurement of loans and advances to customers, financial investments measured at amortized cost, financial guarantees and loan commitments 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 evaluating loss ratio calculation model based on grouping, or assessing the forecast of recoverable cash flows through inquiry, applying professional judgment and performing independent research, including the timing and realisation method of collaterals and other sources of repayment asserted by the management. We also assessed the consistency of the application of key assumptions made by the management and compared the assumptions with our data sources; • Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group; • According to the relevant accounting standards, evaluate the reasonableness of the information disclosure of financial statements in terms of loans and advances to customers, financial investments measured at amortised cost, financial guarantee contracts and loan commitments.

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

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Key audit matters (continued)

Consolidation of structured entities	
Refer to Notes II.4(1) and III.37 to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an asset-backed security, a trust plan, an asset management plan or a securities investment fund.	Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following: • Making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • Selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected: - Inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; - Inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;

Key audit matters (continued)

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

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

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Key audit matters (continued)

Valuation of Level 3 financial assets measured at fair value on a recurring basis	
Refer to Note II.4.(8), Note II.4.(22), Note II.4.(31) of the accounting policy to the financial statements, and Note VIII.4.	
The Key Audit Matter	How the matter was addressed in our audit
The Group classified certain financial instruments without active market quotations – including unlisted equities, unlisted investment funds, certain fund trust and asset management plans, and asset-backed securities – as Level 3 financial assets measured at fair value on a recurring basis. This classification was made because the Group used significant unobservable inputs that materially affected the valuation of these financial instruments. The Group applied various valuation techniques to assess the fair value of Level 3 financial assets, primarily using income approach, market approach, and net asset value approach. These approaches involve unobservable inputs including cash flows of underlying assets, liquidity discounts, discount rates, and price-to-book ratios. Due to the material amount of the Level 3 financial assets measured at fair value on a recurring basis, the complexity of fair value measurement techniques, and the significant management judgement required when using unobservable inputs as key assumptions, we identified the Level 3 financial assets measured at fair value on a recurring basis as a key audit matter.	Our audit procedures relating to the evaluation of valuation of Level 3 financial assets measured at fair value on a recurring basis included the following: • Understanding and evaluating the design and operating effectiveness of key internal controls over financial reporting related to the application of valuation models and front-to-back reconciliations for these assets; • Selecting samples and, using the work of our financial risk management experts, gained an understanding of management's valuation models (including whether there were any changes during the year) and evaluated the appropriateness of the valuation methods under relevant accounting standards. These procedures specifically included comparing the Group's valuation models with industry-standard valuation methods we were aware of, independently testing significant inputs used in fair value calculations, assessing the appropriateness of valuation parameters applied, and building parallel valuation models to reperform the calculation; • Evaluating the reasonableness of the financial statement disclosures relating to these Level 3 financial assets measured at fair value on a recurring basis under relevant accounting standards, including disclosures about the fair value hierarchy.

Independent Auditor's Report
To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.
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Other Information

Management is responsible for the other information. The other information comprises all the information included in the 2024 annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by IASB, and for such internal control as management determines 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

KPMG Huazhen Tongzi NO. 2500100

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

KPMG Huazhen Tongzi NO. 2500100

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, actions taken to eliminate threats or safeguards applied.

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 Xue Chen Jun.

KPMG Huazhen LLP

Beijing, the People's Republic of China
27 March 2025

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Statement of Profit or Loss
For the year ended 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2024	2023	2024	2023
Interest income		288,125	297,598	277,751	290,164
Interest expense		(173,408)	(179,163)	(167,227)	(174,351)
Net interest income	III.1	114,717	118,435	110,524	115,813
Fee and commission income		29,788	32,035	26,003	29,077
Fee and commission expense		(6,972)	(7,582)	(6,964)	(7,980)
Net fee and commission income	III.2	22,816	24,453	19,039	21,097
Net trading gains	III.3	20,912	19,587	24,403	19,287
Net gains arising from financial investments	III.4	7,451	7,122	7,507	3,234
Other net operating income		5,884	3,740	310	561
Operating expenses	III.5	(54,151)	(56,005)	(49,120)	(51,133)
Impairment losses	III.6	(69,480)	(76,863)	(67,795)	(75,588)
Net gains arising from associates and joint ventures		217	223	155	186
Profit before income tax		48,366	40,692	45,023	33,457
Income tax expense	III.7	(2,531)	(3,263)	(1,737)	(524)
Net profit		<u>45,835</u>	<u>37,429</u>	<u>43,286</u>	<u>32,933</u>
Net profit attributable to:					
Shareholders of the Bank		45,257	36,702	43,286	32,933
Non-controlling interests		578	727	-	-
Earnings per share attributable to the shareholders of the Bank:					
Basic earnings per share (expressed in RMB)	III.8	<u>1.36</u>	<u>1.07</u>		
Diluted earnings per share (expressed in RMB)	III.8	<u>1.25</u>	<u>0.99</u>		

The notes on pages 13 to 147 are an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Statement of Comprehensive Income
For the year ended 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group		The Bank	
		2024	2023	2024	2023
Net profit		45,835	37,429	43,286	32,933
Other comprehensive income	III.34				
<i>Items that may be reclassified to profit or loss</i>					
Other comprehensive income recognised under equity method		2	(1)	2	(1)
Changes in fair value of debt investments at fair value through other comprehensive income recognised		10,795	3,460	10,510	3,339
Credit impairment allowance of debt investments at fair value through other comprehensive income		(954)	1,995	(897)	2,019
Cash flow hedge reserve		248	88	(17)	27
Exchange differences from the translations of foreign financial statements		74	179	(26)	24
<i>Item that will not be reclassified to profit or loss</i>					
Changes in fair value of equity investments at fair value through other comprehensive income		878	(747)	880	(747)
Other comprehensive income, net of tax		11,043	4,974	10,452	4,661
Total comprehensive income		56,878	42,403	53,738	37,594
Total comprehensive income attributable to:					
Shareholder of the Bank		56,186	41,623	53,738	37,594
Non-controlling interests		692	780	-	-

The notes on pages 13 to 147 are an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Financial position
as at 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Assets					
Cash and deposits with central bank	III.9	411,539	537,131	405,297	532,553
Deposits and placements with banks and other financial institutions	III.10	533,482	557,362	511,445	549,935
Precious metals		23,062	17,526	23,062	17,526
Derivative financial assets	III.11	89,590	56,311	88,838	56,265
Financial assets purchased under resale agreements	III.12	63,879	44,719	63,879	44,719
Loans and advances to customers	III.13	5,269,160	4,904,696	5,146,724	4,796,566
Financial investments:	III.14				
-Financial investments at fair value through profit or loss		691,019	780,226	767,780	740,523
-Financial investments at amortized cost		1,326,638	1,271,082	1,120,026	1,208,379
-Financial investments at fair value through other comprehensive income		791,467	624,747	775,907	613,336
Investments in associates and joint ventures	III.15	1,807	2,825	1,464	2,458
Investments in controlled subsidiaries		-	-	33,404	29,310
Fixed assets	III.16	56,235	45,308	17,246	18,286
Construction in progress		1,272	1,982	1,233	1,159
Right-of-use assets	III.17	6,350	7,150	5,858	6,716
Intangible assets	III.18	9,584	9,767	7,117	7,464
Goodwill	III.19	5,351	5,351	-	-
Deferred income tax assets	III.20	75,261	71,598	72,695	69,250
Other assets	III.21	106,184	69,466	98,832	63,671
Total assets		9,461,880	9,007,247	9,140,807	8,758,116

The notes on pages 13 to 147 are an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Financial position (continued)
as at 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Liabilities					
Borrowing from central bank		118,442	235,242	117,770	234,591
Deposits and placements from banks and other financial institutions	III.22	1,221,605	1,293,709	1,106,359	1,201,678
Financial liabilities at fair value through profit or loss	III.23	33,172	10,207	29,972	7,869
Derivative financial liabilities	III.11	78,575	52,293	78,434	52,260
Financial assets sold under repurchase agreements	III.24	505,962	519,784	406,346	449,030
Deposits from customers	III.25	5,229,282	5,060,344	5,175,643	5,027,145
Income tax payable		17,060	21,798	16,484	21,371
Debt securities issued	III.26	1,419,972	1,011,653	1,417,346	1,004,010
Deferred income tax liabilities	III.20	630	1,014	-	-
Lease liabilities	III.17	6,013	6,871	5,507	6,423
Provisions	III.27	7,810	7,753	7,805	7,753
Other liabilities	III.28	78,576	53,695	67,771	43,596
Total liabilities		8,717,099	8,274,363	8,429,437	8,055,726

The notes on pages 13 to 147 are an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Financial position (continued)
as at 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Equity					
Share capital	III.29	29,352	29,352	29,352	29,352
Other equity instruments	III.30	82,701	112,691	82,701	112,691
Capital reserves	III.31	81,921	81,762	81,719	81,712
Surplus reserves	III.32	192,222	188,929	192,222	188,929
General risk reserve	III.33	106,696	101,575	102,500	98,000
Other reserves	III.34	13,036	2,107	12,345	1,893
Retained earnings	III.35	230,401	208,333	210,531	189,813
Equity attributable to the shareholders of the Bank		736,329	724,749	711,370	702,390
Non-controlling interests		8,452	8,135	-	-
Total equity		744,781	732,884	711,370	702,390
Total liabilities and equity		9,461,880	9,007,247	9,140,807	8,758,116

These financial statements were approved for issue by the Board of Directors of the Bank on 27 March 2025:

Chairman of the board
of the directors:
Weizhong Zhang

President
(in-charge of
financial work):
Wei Xie

Head of the finance
and accounting
department:
Hui Zhang

The notes on pages 13 to 147 are an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Changes in Equity
For the year ended 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

	Equity attributable to the shareholders of the Bank								Non-controlling interests	Total
	Ordinary Shares	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Subtotal		
Balance at 1 January 2024	29,352	112,691	81,762	188,929	101,575	2,107	208,333	724,749	8,135	732,884
Net profit	-	-	-	-	-	-	45,257	45,257	578	45,835
Other comprehensive income	-	-	-	-	-	10,929	-	10,929	114	11,043
Total comprehensive income	-	-	-	-	-	10,929	45,257	56,186	692	56,878
Appropriation to surplus reserves and general risk reserves	-	-	-	3,293	5,121	-	(8,414)	-	-	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(9,422)	(9,422)	-	(9,422)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)	-	(1,559)
Interests payment of open-term capital bonds	-	-	-	-	-	-	(3,794)	(3,794)	-	(3,794)
Capital increase by subsidiary shareholders	-	-	169	-	-	-	-	169	(169)	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(206)	(206)
Redemption of open-term capital bonds	-	(29,990)	(10)	-	-	-	-	(30,000)	-	(30,000)
Balance at 31 December 2024	29,352	82,701	81,921	192,222	106,696	13,036	230,401	736,329	8,452	744,781

The notes on pages 13 to 147 are an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Changes in Equity (continued)
For the year ended 31 December 2023
(Expressed in millions of RMB unless otherwise stated)

	Equity attributable to the shareholders of the Bank								Non-controlling interests	Total
	Ordinary Shares	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Subtotal		
Balance at 1 January 2023	29,352	112,691	81,762	174,385	99,515	(3,053)	203,220	697,872	8,903	706,775
Net profit	-	-	-	-	-	-	36,702	36,702	727	37,429
Other comprehensive income	-	-	-	-	-	4,921	-	4,921	53	4,974
Total comprehensive income	-	-	-	-	-	4,921	36,702	41,623	780	42,403
Appropriation to surplus reserves and general risk reserves	-	-	-	14,544	3,786	-	(18,330)	-	-	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(9,393)	(9,393)	-	(9,393)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)	-	(1,559)
Interests payment of open-term capital bonds	-	-	-	-	-	-	(3,794)	(3,794)	-	(3,794)
Other reserves carried forward to retained earnings	-	-	-	-	-	239	(239)	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(231)	(231)
Disposal of equity in subsidiaries	-	-	-	-	(1,726)	-	1,726	-	(1,317)	(1,317)
Balance at 31 December 2023	29,352	112,691	81,762	188,929	101,575	2,107	208,333	724,749	8,135	732,884

The notes on pages 13 to 147 are an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity
For the year ended 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

	<u>Share capital</u>	<u>Other equity instruments</u>	<u>Capital reserves</u>	<u>Surplus reserves</u>	<u>General risk reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2024	29,352	112,691	81,712	188,929	98,000	1,893	189,813	702,390
Net profit	-	-	-	-	-	-	43,286	43,286
Other comprehensive income	-	-	-	-	-	10,452	-	10,452
Total comprehensive income	-	-	-	-	-	10,452	43,286	53,738
Appropriation to surplus reserves and general risk reserves	-	-	-	3,293	4,500	-	(7,793)	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(9,422)	(9,422)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)
Interests payment of open-term capital bonds	-	-	-	-	-	-	(3,794)	(3,794)
Redemption of open-term capital bonds	-	(29,990)	(10)	-	-	-	-	(30,000)
Others	-	-	17	-	-	-	-	17
Balance at 31 December 2024	29,352	82,701	81,719	192,222	102,500	12,345	210,531	711,370

The notes on pages 13 to 147 are an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity (continued)
For the year ended 31 December 2023
(Expressed in millions of RMB unless otherwise stated)

	<u>Share capital</u>	<u>Other equity instruments</u>	<u>Capital reserves</u>	<u>Surplus reserves</u>	<u>General risk reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2023	29,352	112,691	81,712	174,385	93,500	(3,007)	190,909	679,542
Net profit	-	-	-	-	-	-	32,933	32,933
Other comprehensive income	-	-	-	-	-	4,661	-	4,661
Total comprehensive income	-	-	-	-	-	4,661	32,933	37,594
Appropriation to surplus reserves and general risk reserves	-	-	-	14,544	4,500	-	(19,044)	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(9,393)	(9,393)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)
Interests payment of open-term capital bonds	-	-	-	-	-	-	(3,794)	(3,794)
Other reserves carried forward to retained earnings	-	-	-	-	-	239	(239)	-
Balance at 31 December 2023	29,352	112,691	81,712	188,929	98,000	1,893	189,813	702,390

The notes on pages 13 to 147 are an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements
For the year ended 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2024	2023	2024	2023
Cash flows from operating activities				
Profit before income tax	48,366	40,692	45,023	33,457
Adjustment for:				
Depreciation and amortization	8,287	8,575	6,453	6,876
Interest expense on lease liability	210	257	198	247
Assets impairment losses	69,480	76,863	67,795	75,588
Interest expense from financing activities	32,959	33,894	32,759	33,535
Interest income from financial investments	(60,491)	(65,896)	(56,846)	(64,562)
Net profit or loss on disposal of fixed assets	(20)	(72)	30	(74)
Net investment profit from associates and joint ventures	(217)	(223)	(155)	(186)
Unrealized net profit or loss on derivative financial instruments	(6,927)	6,732	(6,802)	6,732
Net profit or loss arising from financial investments	(7,451)	(7,122)	(7,507)	(3,234)
Net trading profit or loss	(15,143)	(20,533)	(18,538)	(20,580)
Foreign exchange gain or loss arising from investing and financing activities	(22)	4	(22)	4
Changes in operating assets:				
Statutory reserves with central bank	27,605	21,260	27,843	21,723
Deposits and placements with banks and other financial institutions	18,106	(68,968)	22,466	(67,889)
Financial assets held for trading	30,198	(18,910)	22,727	(13,888)
Financial assets purchased under resale agreements	316	(1,703)	316	(1,703)
Loans and advances to customers	(411,592)	(162,894)	(405,430)	(158,494)
Other operating assets	(33,160)	(48,087)	(30,489)	(32,923)

The notes on pages 13 to 147 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2024	2023	2024	2023
Cash flows from operating activities (continued)				
Changes in operating liabilities:				
Borrowing from central bank	(116,098)	69,274	(116,118)	69,328
Deposits and placements from banks and other financial institutions	(96,062)	181,418	(100,341)	164,334
Financial assets sold under repurchase agreements	(13,761)	169,458	(42,624)	143,923
Deposits from customers	161,329	158,152	140,890	157,299
Other operating liabilities	45,403	29,218	44,767	17,074
Cash generated from operating activities before income tax payment	(318,685)	401,389	(373,605)	366,587
Income tax paid	(14,969)	(12,992)	(13,575)	(9,851)
Net cash (used) / generated from operating activities	(333,654)	388,397	(387,180)	356,736
Cash flows from investing activities				
Cash received from redemption of investment	2,001,177	2,037,428	1,900,627	1,986,357
Investment income received	87,157	73,492	83,110	73,091
Proceeds from disposal of fixed assets	1,717	290	32	170
Purchase of fixed assets, intangible assets and other long-term assets	(20,128)	(12,865)	(3,241)	(5,483)
Cash received from equity transactions of subsidiaries	5,145	6,408	-	-
Cash payment of investment	(2,158,620)	(2,134,534)	(2,023,483)	(2,058,874)
Net cash used in investing activities	(83,552)	(29,781)	(42,955)	(4,739)

The notes on pages 13 to 147 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2024
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2024	2023	2024	2023
Cash flows from financing activities				
Proceeds from issuance of bonds and interbank deposits	1,607,199	886,846	1,607,199	886,846
Cash payment of debt repayment	(1,219,376)	(1,212,680)	(1,214,349)	(1,209,688)
Cash paid for dividends, profit and interest of bond issued	(57,414)	(41,710)	(57,066)	(41,286)
Payment for other financing activities	(2,930)	(3,150)	(2,919)	(3,143)
Net cash generated / (used) in financing activities	327,479	(370,694)	332,865	(367,271)
Effect of exchange rate changes on cash and cash equivalents	1,224	1,901	1,164	1,996
Net decrease in cash and cash equivalents	(88,503)	(10,177)	(96,106)	(13,278)
Cash and cash equivalents at the beginning of the year	362,127	372,304	354,943	368,221
Cash and cash equivalents at the end of the year	273,624	362,127	258,837	354,943
Cash flows from operating activities include:				
Interest received	238,033	243,981	232,223	236,539
Interest paid	(132,990)	(133,716)	(127,248)	(129,244)
Composition of cash and cash equivalents:				
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Cash	5,724	6,333	5,606	6,198
Surplus reserves with central bank	107,378	206,375	103,873	204,313
Deposits and placements with banks and other financial institutions with original term no more than three months	98,015	106,465	86,851	101,478
Financial assets purchased under resale agreements with original term no more than three months	62,507	42,954	62,507	42,954
Total	273,624	362,127	258,837	354,943

The notes on pages 13 to 147 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Notes to the financial statements
(Expressed in millions of RMB unless otherwise stated)

I General Information

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

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

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

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

II Basis of preparation and accounting policies

1. Basis of preparation

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and Interpretations promulgated by the International Accounting Standards Board (“IASB”), on the basis of going concern. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”), financial assets measured at fair value through other comprehensive income (“FVOCI”) and precious metals and commodities held for trading purposes.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note II. 4(31).

2. Changes in significant accounting policies

The Group has adopted the following amendments to the IFRS issued by the IASB in the current year.

- *Lease liabilities in a Sale and Leaseback - Amendments to IFRS 16*
- *Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (2020)*
- *Non-current Liabilities with Covenants - Amendments to IAS 1 (2022)*
- *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

The above amended IFRSs that are effective in 2024 has been initially adopted in the financial report. The initial adoption of the above amendments did not have any material impact on the financial position and financial performance of the Group.

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

The Group has not adopted the following issued but not yet effective standards and amendments in the financial statements.

- *Lack of Exchangeability - Amendments to IAS 21* ⁽¹⁾
- *Classification and Measurement of Financial Instruments - Amenedments to IFRS 9 and IFRS 7* ⁽²⁾
- *Annual Improvements to IFRS Accounting Standards - Volume 11* ⁽²⁾
- *IFRS 18* ⁽³⁾ - *Presentation and Disclosurein Financial Statements*
- *IFRS 19* ⁽³⁾ - *Subsidiaries without Public Accountability: Disclosures*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28* ⁽⁴⁾

- (1) Effective for accounting periods beginning on or after 1 January 2025.
- (2) Effective for accounting periods beginning on or after 1 January 2026.
- (3) Effective for accounting periods beginning on or after 1 January 2027.
- (4) Effective date indefinitely deferred.

The adoption of the above amendments will not have a material impact on the Group's consolidated financial statements.

4. Summary of significant accounting policies

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

(1) Subsidiaries

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

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

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

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

(2) Non-controlling interests

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Bank, and net profit attributable to non-controlling interests and shareholders of the Bank is presented separately in the consolidated statement of profit or loss.

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

(3) Associates and joint ventures

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

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

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

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

(4) Functional currency

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

(5) Foreign currency translation

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

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting 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 statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

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

(ii) *Classification and subsequent measurement of financial assets*

(a) Classification of financial assets

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

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

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

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

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

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

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

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

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

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

(b) Subsequent measurement of financial assets

- Financial assets measured at FVTPL

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

- Financial assets measured at amortised cost

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

- Debt investments measured at FVOCI

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

- Equity investments measured at FVOCI

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

(iii) *Classification and subsequent measurement of financial liabilities*

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as a financial liability designated at fair value through profit or loss (including derivative financial liability) or it is designated as such on initial recognition.

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

- The financial liability is part of a hedging relationship;
- The financial liability is a financial liability designated at fair value through profit or loss, and changes in fair value arising from changes in the Group's credit risks are included in other comprehensive income.

- Other financial liabilities

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

(iv) *Offsetting*

Financial assets and financial liabilities are generally presented separately in the statement of financial position, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position 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*

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 that are not measured at FVTPL; 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 financial 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 reporting 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 Bank recorded equity instruments it issued at their actual issue prices in shareholders' equity and deducted the related transaction costs from shareholders' equity (capital reserves). Where capital reserves were insufficient to absorb these costs, the Bank offset them against surplus reserves and retained earnings in that order. Transaction consideration and costs paid by the Bank for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(9) Financial guarantee contracts and loan commitments

Financial guarantee contracts

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

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

Loan commitments

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

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

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

(10) Derivatives and hedge accounting

Derivative financial instruments

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

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

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

Hedge accounting

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

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

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

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

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

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

The Group discontinues applying hedge accounting in any of the following circumstances:

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

(i) Cash flow hedges

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

- the cumulative gain or loss on the hedging instrument from inception of the hedge;
- the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

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

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

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

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

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

- If the hedged future cash flows are still expected to occur, that amount will remain in the cash flow hedge reserve, and be accounted for in accordance with the above policy;
- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(ii) Fair value hedges

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

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

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

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

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

(11) Convertible instruments

Convertible instruments containing an equity component

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

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

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

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

Other convertible instruments not containing an equity component

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

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

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

(12) Preference shares and open-term capital bonds with unfixed terms

At initial recognition, the Group classifies the preference shares, open-term capital bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

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

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

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

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

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 initial 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 initial 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 statement of financial position 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, unless the fixed assets is classified as held-for-sale. The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

<u>Class</u>	<u>Estimate useful life</u>	<u>Expected residual value rate</u>	<u>Depreciation rate</u>
Plant and buildings	30 – 40 years	3 - 5%	2.40 - 3.23%
Motor vehicles	5 years	3 - 5%	19.00 - 19.40%
Electronic computers and other equipments	3 – 5 years	0 - 5%	19.00 - 33.33%
Equipments such as airplanes and ships	8 – 25 years	0 - 10%	3.60 – 12.50%

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

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;
- 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 statement of financial position at cost less accumulated impairment losses (see Note II.4(20)).

(16) Intangible assets

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

- Land use right is amortized since the month of acquisition using straight-line method within its statutory useful life. The useful life of the land use right is 27 to 70 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.
- Software is amortized since month of acquisition using straight-line method over its beneficial life. The useful life of the software is 1 to 10 years.
- Where data resources met the recognition criteria of intangible assets, the Group commenced amortization from the month of acquisition or the month when the assets became available for use. The amortization method reflected the expected pattern of consumption of the future economic benefits. In determining the useful lives, the Group gave particular consideration to the factors such as business models, limitation of rights, update frequency and timeliness, iterations of relevant products or technologies, and similar competing products of the same kind of the data resources, etc.
- Brand and franchise right are intangible assets with no expected useful lives, which are not subject to amortization.

The Group at least reviews the useful life and amortization method of a finite useful life intangible assets at the end of each year.

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

(17) Long-term deferred expenses

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

(18) Repossessed assets

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

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

For the transferred non-financial asset debt paying assets, the Group makes initial measurement according to the fair value of the abandoned creditor's rights and other costs such as taxes directly attributable to the assets, and makes subsequent measurement according to the lower of the cost and the net realizable value of the debt paying assets. 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 statement of financial position at cost less accumulated impairment losses (see Note II.4(20)). On disposal of an asset group or a set of asset groups, goodwill shall be transferred out and included in the calculation of the profit or loss on disposal.

(20) Impairment of assets other than financial assets

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

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

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

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note II.4(22)) less costs to sell and its present value of expected future cash flows.

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

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

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

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

(21) Provisions and contingent liabilities

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

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

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

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

The Group reviews the carrying amount of a provision at the reporting 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 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 statement of financial position 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.

The Group determines the interest income is calculated by applying the effective interest rate to the book value of financial assets and reports it as 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; otherwise, the Group recognizes the income at a certain point of time:

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

Dividend income

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

Net trading income

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

(26) Expenses

Interest expenses

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

Other expenses

Other expenses are recognised on an accrual basis.

(27) Employee benefits

Short-term employee benefits

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

Post-employment benefits

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

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

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

Termination benefits

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

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

Other long-term employee benefits

According to the actual payment of employees' salaries or services during the accounting period when employees provide services, the amount accrued or paid by employees shall be recognized as a liability, and included in the current profit and loss or cost of related assets.

(28) Income tax

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

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

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

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

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

At the end of the reporting period, the Group measured the carrying amount of deferred tax assets and liabilities based on the expected recovery or settlement method of the deferred tax assets and liabilities, in accordance with the tax laws and regulations that have been promulgated, at the applicable tax rate during the expected period of recovery of the assets or settlement of the liabilities.

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.

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

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

(29) Leases

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

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

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

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components.

1) As a lessee

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

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note II.4(20).

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

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

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

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group will recognize the remaining amount into the profit and loss of current period.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low-value assets (a lease of a single leased asset with relatively low value when the single leased asset is a new asset). The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

2) As a lessor

The Group determines at lease inception whether each lease is a financial leasing or an operating lease. A lease is classified as a financial leasing 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 financial leasing.

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 financial leasing, at the commencement date, the Group recognises the financial leasing receivable and derecognises the financial leasing asset. The financial leasing 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 financial leasing receivable are recognised in accordance with the accounting policy in Note II.4(8). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

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

(30) Related parties

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

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

(31) Significant accounting estimates and judgements

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

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

Measurement of ECL

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

Goodwill impairment

The Group tests whether goodwill is impaired at least annually, and impairment test is also required when there are signs that goodwill may be impaired. During the impairment test, it is necessary to allocate goodwill to the corresponding asset group or combination of asset groups, and assess the recoverable amount generated by the asset group or combination of asset groups. Information of impairment tests on the Group's goodwill is set out in Note III.19.

Income tax

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

Fair value of financial instruments

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

Judgment on whether the structured entities has control

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

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

5. Changes in significant accounting estimates

To present more objectively and accurately the financial position and operating results of airplane operating leases, the Group changed the estimate useful life and expected residual value rate of certain airplane model based on their current usage conditions, remaining useful lives, and market circumstances. The adoption of the changes does not have a material impact on the financial position and operating results of the Group.

III NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

1 Net interest income

	The Group		The Bank	
	2024	2023	2024	2023
Interest income				
Loans and advances to customers				
-Corporate loans	110,307	102,076	104,674	96,781
-Retail loans	87,913	98,636	87,234	97,847
-Discounted bills	5,117	5,837	5,117	5,837
Financial investments				
-at amortized cost	41,264	45,699	38,010	44,736
-at fair value through other comprehensive income	19,227	20,197	18,836	19,826
Deposits and placements with banks and other financial institutions	17,167	17,492	16,785	17,505
Deposits with central bank	4,964	5,570	4,932	5,541
Financial assets purchased under resale agreements	2,166	2,091	2,163	2,091
Subtotal	288,125	297,598	277,751	290,164
Interest expense				
Deposits from customers	(96,452)	(105,378)	(95,602)	(104,704)
Debt securities issued	(32,959)	(33,894)	(32,759)	(33,535)
Deposits and placements from banks and other financial institutions	(32,322)	(29,038)	(28,418)	(25,748)
Financial assets sold under repurchase agreements	(6,627)	(5,879)	(5,414)	(5,401)
Borrowing from central bank	(5,048)	(4,974)	(5,034)	(4,963)
Subtotal	(173,408)	(179,163)	(167,227)	(174,351)
Net interest income	114,717	118,435	110,524	115,813

2 Net fee and commission income

	The Group		The Bank	
	2024	2023	2024	2023
Fee and commission income				
Fees from bank cards	11,462	13,344	11,462	13,344
Custodian and other fiduciary activities commissions	6,038	5,382	2,430	2,681
Agency commissions	4,026	5,292	3,983	5,278
Fees from investment banking activities	3,836	3,293	3,779	3,246
Credit commitment fees	2,307	2,424	2,307	2,424
Settlement and clearing fees	880	1,017	878	965
Others	1,239	1,283	1,164	1,139
Subtotal	29,788	32,035	26,003	29,077
Fee and commission expense	(6,972)	(7,582)	(6,964)	(7,980)
Net fee and commission income	22,816	24,453	19,039	21,097

3 Net trading gains and losses

	The Group		The Bank	
	2024	2023	2024	2023
Financial investments measured at FVTPL	19,590	21,980	23,132	21,619
Exchange gains and losses	988	(3,536)	1,065	(3,477)
Hedged bonds	18	451	18	451
Others	316	692	188	694
Total	20,912	19,587	24,403	19,287

4 Net gains and losses arising from financial investments

	The Group		The Bank	
	2024	2023	2024	2023
Financial investments measured at amortized cost	3,902	2,419	3,897	2,370
Financial investments measured at FVOCI	3,488	395	3,392	501
Dividend income	61	67	218	363
Others	-	4,241	-	-
Total	7,451	7,122	7,507	3,234

5 Operating expenses

	The Group		The Bank	
	2024	2023	2024	2023
Staff costs				
- Employee benefits	25,193	25,638	23,272	23,955
- Post-employment benefits	3,037	2,869	2,849	2,684
Subtotal	28,230	28,507	26,121	26,639
Depreciation and amortization	6,652	7,075	6,453	6,876
Taxes and surcharges	1,972	2,002	1,825	1,889
Others	17,297	18,421	14,721	15,729
Total	54,151	56,005	49,120	51,133

6 Impairment losses

	The Group		The Bank	
	2024	2023	2024	2023
Loans and advances to customers	55,555	55,713	54,416	55,045
Financial investments measured at:				
- Amortized cost	11,652	12,896	11,283	12,466
- FVOCI	470	2,576	448	2,475
Others	1,803	5,678	1,648	5,602
Total	69,480	76,863	67,795	75,588

7 Income tax expense

	The Group		The Bank	
	2024	2023	2024	2023
Current income tax expense	10,219	7,461	8,681	4,530
Deferred income tax expense	(7,688)	(4,198)	(6,944)	(4,006)
Total	2,531	3,263	1,737	524

Reconciliation between the Group and the Bank's total income tax expenses and the product of accounting profit multiplied by the applicable tax rates:

	The Group		The Bank	
	2024	2023	2024	2023
Profit before income tax	48,366	40,692	45,023	33,457
Tax calculated at statutory tax rate of the PRC	12,092	10,173	11,256	8,364
Tax effect from other various tax rates adopted by subsidiaries	56	45	-	-
Tax effect of non-deductible expenses	565	3,275	497	3,178
Tax effect of non-taxable income	(9,796)	(10,172)	(9,685)	(10,013)
Other income tax adjustments	(386)	(58)	(331)	(1,005)
Income tax expense	2,531	3,263	1,737	524

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 2024, 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

	2024	2023
Profit for the year attributable to shareholders of the Bank	45,257	36,702
Less: Profit for the year attributable to preference shareholders of the Bank	(1,559)	(1,559)
Payment of interests of open-term capital bonds	(3,794)	(3,794)
Profit for the year attributable to the holders of the Bank's share capital	39,904	31,349
Weighted average number of outstanding share capital (million)	29,352	29,352
Basic EPS (RMB)	1.36	1.07

(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

	2024	2023
Net profit for the current year attributable to shareholders of the Bank	39,904	31,349
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	1,530	1,504
Net profit for calculating diluted earnings per share this year	41,434	32,853
Weighted average number of outstanding ordinary shares issued by the Bank (million)	29,352	29,352
Add: Assume that convertible corporate bonds are entirely converted to weighted average number of ordinary shares (million)	3,776	3,687
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	33,128	33,039
Diluted earnings per share (RMB)	1.25	0.99

9 Cash and deposits with central bank

	Notes	The Group		The Bank	
		31 December 2024	31 December 2023	31 December 2024	31 December 2023
Cash		5,724	6,333	5,606	6,198
Statutory reserves with central bank	(1)	296,486	324,091	293,867	321,710
Surplus reserves with central bank	(2)	107,378	206,375	103,873	204,313
Fiscal deposits with central bank		1,799	167	1,799	167
Accrued interest		152	165	152	165
Total		411,539	537,131	405,297	532,553

(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 2024	31 December 2023	31 December 2024	31 December 2023
Deposits with domestic banks	72,192	65,378	47,061	48,769
Deposits with overseas banks	40,375	39,487	41,215	39,648
Deposits with domestic non-bank financial institutions	650	634	359	599
Placements with domestic banks	31,023	42,532	29,514	42,532
Placements with overseas banks	49,160	57,470	49,160	57,470
Placements with domestic non-bank financial institutions	334,974	346,351	339,133	355,417
Placements with overseas non-bank financial institutions	474	1,263	474	1,263
Accrued interest	4,961	4,794	4,703	4,703
Less: Impairment allowance	(327)	(547)	(174)	(466)
Total	533,482	557,362	511,445	549,935

As at 31 December 2024 and 31 December 2023, the Group's due from and placements with banks and other financial institutions included refundable deposits and risk reserves, and were restricted in usage.

11 Derivative financial instruments

The Group

	Notional amount	31 December 2024	
		Fair value	
		Assets	Liabilities
Interest rate derivatives	5,891,771	37,371	(36,810)
Exchange rate derivatives	3,091,321	30,901	(27,347)
Precious metal and other derivatives	534,488	21,318	(14,418)
Total		89,590	(78,575)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	14,653	55	(133)
- Currency swap contracts	15,150	28	(195)
Cash flow hedges			
- Interest rate swap contracts	452	12	-
- Currency swap contracts	64,829	974	(153)
Total		1,069	(481)
31 December 2023			
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	4,694,725	17,002	(16,037)
Exchange rate derivatives	2,213,084	16,508	(18,251)
Precious metal and other derivatives	666,916	22,801	(18,005)
Total		56,311	(52,293)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	14,375	106	(72)
- Currency swap contracts	7,447	18	(39)
Cash flow hedges			
- Interest rate swap contracts	422	22	-
- Currency swap contracts	52,760	117	(135)
Total		263	(246)

The Bank

31 December 2024			
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,889,179	37,357	(36,803)
Exchange rate derivatives	3,057,730	30,163	(27,213)
Precious metal derivatives and other derivatives	534,488	21,318	(14,418)
Total		88,838	(78,434)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	14,653	55	(133)
Cash flow hedges			
- Currency swap contracts	44,691	318	(153)
Total		373	(286)
31 December 2023			
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	4,694,282	16,980	(16,044)
Exchange rate derivatives	2,202,907	16,484	(18,211)
Precious metal derivatives and other derivatives	666,916	22,801	(18,005)
Total		56,265	(52,260)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	14,375	106	(72)
Cash flow hedges			
- Currency swap contracts	49,710	111	(134)
Total		217	(206)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of financial position 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 market risks. With fluctuations in foreign exchange rates, market interest rates, precious metal prices, and other market prices related to the terms of derivative financial product contracts, the valuation of derivative financial products may have favorable (recognized as assets) or unfavorable (recognized as liabilities) effects on the Group, which may have significant fluctuations in different periods.

Fair value hedges

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

Cash flow hedges

The Group uses the interest rate swap instruments and currency swap instruments to hedge the cash flow fluctuations due to the interest rate risk and foreign currency risk respectively. Hedged items include loans to customers, financial investments measured at amortized cost, deposits and placements with banks and other financial institutions, deposits and placements from banks and other financial institutions and debt securities issued. The Group mainly adopts the regression analysis method and the key terms comparison method to evaluate the effectiveness of hedging. The management of the Group considers the hedging relationship is highly effective after the testing. During the reporting period, gains and losses arising from the ineffective portion of hedges recognised in the cash flow hedges were not significant, and there were no instances of discontinuing the use of hedge accounting due to highly probable expected cash flows that are no longer expected to occur.

12 Financial assets purchased under resale agreements

The Group and the Bank

	31 December 2024	31 December 2023
Bonds	51,495	38,184
Bills	12,399	6,473
Accrued interest	17	76
Less: Impairment allowance	(32)	(14)
Total	<u>63,879</u>	<u>44,719</u>

13 Loans and advances to customers

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Loans and advances to customers measured at				
- Amortized cost (a)	5,056,985	4,639,222	4,929,774	4,525,042
- FVOCI (b)	331,012	370,748	331,012	370,748
- FVTPL (c)	3,533	7,784	1,405	7,784
Subtotal	5,391,530	5,017,754	5,262,191	4,903,574
Accrued interest	15,528	16,362	14,752	15,622
Impairment allowances				
-Loans and advances to customers measured at amortized cost	(136,602)	(128,424)	(128,923)	(121,634)
- Accrued interest of loans and advances to customers measured at amortized cost	(1,296)	(996)	(1,296)	(996)
Subtotal	(137,898)	(129,420)	(130,219)	(122,630)
Net loans and advances to customers	5,269,160	4,904,696	5,146,724	4,796,566

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
(a) Loans and advances to customers measured at amortized cost				
Corporates loans				
Corporate loans and advances	3,167,423	2,772,749	3,054,011	2,673,243
Discounted bills	295	651	295	650
Retail loans				
Mortgage loans	864,360	838,152	859,223	832,371
Business loans	455,267	467,994	451,177	463,633
Credit card and overdraft	370,223	385,617	370,223	385,617
Consumer loans and others	199,417	174,059	194,845	169,528
Subtotal	5,056,985	4,639,222	4,929,774	4,525,042
(b) Loans and advances to customers measured at FVOCI				
Corporates loans				
Corporate loans and advances	9,048	62,588	9,048	62,588
Discounted bills	321,964	308,160	321,964	308,160
Subtotal	331,012	370,748	331,012	370,748
(c) Loans and advances to customers measured at FVTPL				
Corporates loans				
Corporate loans and advances	2,683	5,662	555	5,662
Discounted bills	850	2,122	850	2,122
Subtotal	3,533	7,784	1,405	7,784
Total loans and advances to customers	5,391,530	5,017,754	5,262,191	4,903,574

13.1 Loans and advances to customers analysed by industry

The Group

	31 December 2024		31 December 2023	
	<u>Amount</u>	<u>Rate (%)</u>	<u>Amount</u>	<u>Rate (%)</u>
Corporate loans				
Manufacturing	684,214	12.70	572,695	11.42
Lease and commercial service	649,273	12.04	548,048	10.92
Real estate	397,011	7.36	345,744	6.89
Water conservancy, environment and public facilities management	215,743	4.00	196,775	3.92
Wholesale and retail	210,354	3.90	189,398	3.77
Transportation, warehouse and postal services	201,696	3.74	193,132	3.85
Construction	190,723	3.54	176,645	3.52
Electricity, heat, gas, water production and supply	174,549	3.24	165,020	3.29
Financial services	146,268	2.71	193,704	3.86
Information transmission, software and IT services	89,029	1.65	75,275	1.50
Mining	88,356	1.64	78,825	1.57
Research and technology services	46,694	0.87	36,334	0.72
Culture, sports and entertainment	21,293	0.39	20,169	0.40
Education	20,499	0.38	16,443	0.33
Healthcare and social welfare	17,530	0.33	13,420	0.27
Agriculture, forestry, farming and fishery	16,701	0.31	12,721	0.25
Hotels and catering services	6,344	0.12	5,043	0.10
Residential services, repairs and other services	1,790	0.03	1,288	0.03
Others	1,087	0.02	320	0.01
Subtotal	3,179,154	58.97	2,840,999	56.62
Discounted bills	323,109	5.99	310,933	6.20
Retail loans	1,889,267	35.04	1,865,822	37.18
Total	5,391,530	100.00	5,017,754	100.00

The Bank

	31 December 2024		31 December 2023	
	<u>Amount</u>	<u>(%)</u>	<u>Amount</u>	<u>(%)</u>
Corporate loans				
Manufacturing	654,479	12.44	549,615	11.22
Lease and commercial service	639,650	12.16	543,491	11.08
Real estate	396,985	7.54	345,727	7.05
Water, environment and public facilities management	214,263	4.07	194,741	3.97
Wholesale and retail	207,248	3.94	186,732	3.81
Transportation, warehouse and postal services	165,595	3.15	157,999	3.22
Construction	186,310	3.54	171,831	3.50
Electricity, heat, gas, water production and supply	160,377	3.05	145,914	2.98
Financial services	148,318	2.82	196,769	4.01
Information transmission, software and IT services	81,765	1.55	73,012	1.49
Mining	82,827	1.57	73,462	1.50
Research and technology services	43,232	0.82	35,014	0.71
Culture, sports and entertainment	20,954	0.40	19,737	0.40
Education	20,200	0.38	16,287	0.33
Healthcare and social welfare	17,194	0.33	13,215	0.27
Agriculture, forestry, farming and fishery	15,311	0.29	11,522	0.23
Hotels and catering services	6,154	0.12	4,879	0.10
Residential services, repairs and other services	1,694	0.03	1,246	0.03
Others	1,058	0.02	300	0.01
Subtotal	3,063,614	58.22	2,741,493	55.91
Discounted bills	323,109	6.14	310,932	6.34
Retail loans	1,875,468	35.64	1,851,149	37.75
Total	5,262,191	100.00	4,903,574	100.00

13.2 Loans and advances to customers analysed by security type

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Unsecured loans	2,034,367	1,967,646	2,004,128	1,932,734
Guaranteed loans	1,238,069	1,048,876	1,176,498	995,336
Collateralized loans	1,857,201	1,770,621	1,842,574	1,755,742
Pledged loans	261,893	230,611	238,991	219,762
Total	5,391,530	5,017,754	5,262,191	4,903,574

13.3 Overdue loans and advances to customers

The Group

	31 December 2024				Total
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	
Unsecured loans	21,001	10,707	2,266	1,577	35,551
Guaranteed loans	4,204	4,802	7,839	686	17,531
Collateralized loans	21,342	16,352	9,340	4,306	51,340
Pledged loans	1,282	2,465	1,123	1,604	6,474
Total	47,829	34,326	20,568	8,173	110,896

	31 December 2023				Total
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	
Unsecured loans	16,668	12,325	1,585	1,708	32,286
Guaranteed loans	5,181	5,823	10,304	1,063	22,371
Collateralized loans	16,278	14,004	9,605	1,946	41,833
Pledged loans	643	316	3,462	416	4,837
Total	38,770	32,468	24,956	5,133	101,327

The Bank

31 December 2024					
	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	20,554	10,544	2,029	975	34,102
Guaranteed loans	3,777	4,738	7,730	586	16,831
Collateralized loans	21,244	16,231	8,929	4,301	50,705
Pledged loans	1,279	2,421	1,123	1,566	6,389
Total	46,854	33,934	19,811	7,428	108,027

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

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	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Life-time ECL	<u>Stage 3</u> Life-time ECL	<u>Total</u>
Balance at 1 January 2024		38,847	21,298	68,279	128,424
Transfers during the year:					
- Transfer to stage 1		4,163	(4,004)	(159)	-
- Transfer to stage 2		(3,517)	5,692	(2,175)	-
- Transfer to stage 3		(2,592)	(10,481)	13,073	-
Net (decrease) / increase during the year	(1)	(497)	17,334	38,887	55,724
Written-offs and disposals during the year		-	-	(59,464)	(59,464)
Recovery of loans and advances written off in previous years		-	-	11,739	11,739
Others		59	18	102	179
Balance at 31 December 2024		<u>36,463</u>	<u>29,857</u>	<u>70,282</u>	<u>136,602</u>

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

The Bank

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2024		36,032	19,451	66,151	121,634
Transfers during the year:					
- Transfer to stage 1		3,968	(3,810)	(158)	-
- Transfer to stage 2		(3,349)	5,517	(2,168)	-
- Transfer to stage 3		(2,588)	(10,178)	12,766	-
Net (decrease) / increase during the year	(1)	(313)	16,102	38,796	54,585
Written-offs and disposals during the year		-	-	(58,704)	(58,704)
Recovery of loans and advances written off in previous years		-	-	11,410	11,410
Others		7	1	(10)	(2)
Balance at 31 December 2024		33,757	27,083	68,083	128,923

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

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

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

The Group and the Bank

	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Life-time ECL	<u>Stage 3</u> Life-time ECL	<u>Total</u>
Balance at 1 January 2024	311	4	-	315
Transfers during the year:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Net decrease during the year	(166)	(3)	-	(169)
Balance at 31 December 2024	145	1	-	146

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

14 Financial Investments

	Note	The Group		The Bank	
		31 December 2024	31 December 2023	31 December 2024	31 December 2023
Financial investment measured at FVTPL	(a)	691,019	780,226	767,780	740,523
Financial investments measured at amortized cost	(b)	1,326,638	1,271,082	1,120,026	1,208,379
Financial investments measured at FVOCI	(c)	791,467	624,747	775,907	613,336
Financial investments, net		<u>2,809,124</u>	<u>2,676,055</u>	<u>2,663,713</u>	<u>2,562,238</u>

(a) Financial investments measured at FVTPL:

	Note	The Group		The Bank	
		31 December 2024	31 December 2023	31 December 2024	31 December 2023
Fund investments		485,481	434,606	541,561	491,401
Government bonds		39,813	63,521	39,813	63,521
Bonds issued by financial institutions		20,312	10,288	18,427	7,551
Equity investment		17,268	17,329	12,122	12,318
Beneficiary certificates of securities companies		11,913	39,723	11,913	39,723
Trust and asset management plans		9,811	14,801	119,568	86,671
Deposit certificates issued by other financial institutions		8,579	3,303	8,579	3,303
Corporate bonds		7,084	21,435	6,411	21,190
Assets backed securities ("ABS")		2,222	2,290	2,222	2,290
Bonds issued by policy banks		1,332	5,150	1,332	5,150
Other investment	(1)	87,204	167,780	5,832	7,405
Total		<u>691,019</u>	<u>780,226</u>	<u>767,780</u>	<u>740,523</u>

- (1) Other investments mainly include the Group's investments in structured entities included in the scope of consolidation, the long-term employee benefits payable to Changjiang Pension Insurance Co., Ltd. for investment entrusted by the Group and other wealth management products. The Group's investments in structured entities included in the scope of consolidation include fund products, trust and asset management plans controlled by the Group, which are mainly invested in assets such as various types of bonds and equity investments with third-party repurchase arrangements; as at 31 December 2024, the size of the underlying assets of the Group's above investments in the structured entities included in the scope of consolidation amounted to RMB 81,391 million (as at 31 December 2023: RMB 159,916 million).

(b) Financial Investments measured at amortized cost

	Note	The Group		The Bank	
		31 December 2024	31 December 2023	31 December 2024	31 December 2023
Government bonds		537,943	583,862	537,747	583,862
Bonds issued by policy banks		278,855	270,330	278,514	270,330
ABS		106,449	124,770	106,327	124,648
Trust and asset management plans (1)		100,700	161,425	97,199	157,821
Bonds issued by financial institutions		61,320	50,006	61,248	50,006
Corporate bonds		35,865	30,812	34,720	30,767
Deposit certificates issued by other financial institutions		13,134	2,602	12,738	2,154
Other investments (2)		198,282	57,903	-	-
Subtotal		<u>1,332,548</u>	<u>1,281,710</u>	<u>1,128,493</u>	<u>1,219,588</u>
Accrued interest		<u>18,683</u>	<u>17,874</u>	<u>15,635</u>	<u>17,178</u>
Impairment allowance					
- Principal of financial investments		(24,253)	(28,345)	(23,773)	(28,236)
-Accrued interest of financial investments		(340)	(157)	(329)	(151)
Subtotal of impairment allowance		<u>(24,593)</u>	<u>(28,502)</u>	<u>(24,102)</u>	<u>(28,387)</u>
Financial investments at amortized cost, net		<u>1,326,638</u>	<u>1,271,082</u>	<u>1,120,026</u>	<u>1,208,379</u>

- (1) As at 31 December 2024 and 31 December 2023, the trust and asset management plans were primarily invested in debt instruments with fixed or determinable repayment amounts.
- (2) Other investments mainly consist of investments in structured entities and other debt investments that the Group included in the scope of consolidation. The Group's investments in structured entities included in the scope of consolidation were asset management plans controlled by the Group, which are mainly invested in various types of bonds; as at 31 December 2024, the size of the underlying assets of the Group's above investments in the structured entities included in the scope of consolidation amounted to RMB 198,282 million (as at 31 December 2023: RMB 57,600 million)

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

The Group

	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Life-time ECL	<u>Stage 3</u> Life-time ECL	<u>Total</u>
Balance at 1 January 2024	962	1,051	26,332	28,345
Transfers for the year:				
- to stage 1	12	(12)	-	-
- to stage 2	(125)	125	-	-
- to stage 3	-	(337)	337	-
Net (decrease) / increase for the year	(359)	(110)	12,121	11,652
Write-offs during the year	-	-	(15,898)	(15,898)
Recovery of investments written off in previous years	-	-	143	143
Others	2	-	9	11
Balance at 31 December 2024	492	717	23,044	24,253

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

The Bank

	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Life-time ECL	<u>Stage 3</u> Life-time ECL	<u>Total</u>
Balance at 1 January 2024	940	1,046	26,250	28,236
Transfers for the year :				
- to stage 1	12	(12)	-	-
- to stage 2	(125)	125	-	-
- to stage 3	-	(331)	331	-
Net (decrease) / increase for the year	(355)	(110)	11,748	11,283
Write-offs during the year	-	-	(15,898)	(15,898)
Recovery of investments written off in previous years	-	-	143	143
Others	2	-	7	9
Balance at 31 December 2024	<u>474</u>	<u>718</u>	<u>22,581</u>	<u>23,773</u>

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

(c) Financial investments measured at FVOCI

	Note	The Group		The Bank	
		31 December 2024	31 December 2023	31 December 2024	31 December 2023
Government bonds		388,424	286,412	382,514	283,385
Corporate bonds		140,216	122,163	134,450	113,796
Bonds issued by financial institutions		110,231	82,357	107,816	82,406
Bonds issued by policy banks		84,996	79,886	84,149	79,886
Deposit certificates issued by other financial institutions		31,421	33,438	31,421	33,438
ABS		19,660	6,302	19,373	6,302
Reposessed equity instruments	(1)	1,406	1,566	1,406	1,566
Trust and asset management plans		16	20	-	-
Other equity investment	(1)	7,623	5,164	7,372	5,164
Subtotal		783,993	617,308	768,501	605,943
Accrued interest		7,474	7,439	7,406	7,393
Total		791,467	624,747	775,907	613,336

- (1) The Group and the Bank designated certain equity investments that are not held for trading as financial assets at fair value through other comprehensive income. In 2024, the Group and the Bank recognised dividend income from investments in such equity instruments of RMB 58 million (2023: RMB 67 million). In 2024, neither the Group nor the Bank recorded any reclassification of accumulated losses from the disposal of such equity instrument investments from other comprehensive income to retained earnings (2023: recorded accumulated losses of RMB 239 million).

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

The Group

	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Life-time ECL	<u>Stage 3</u> Life-time ECL	<u>Total</u>
Balance at 1 January 2024	428	216	5,331	5,975
Transfers for the year:				
- to stage 1	-	-	-	-
- to stage 2	(5)	5	-	-
- to stage 3	-	(137)	137	-
Net (decrease) / increase for the year	(69)	6	533	470
Write-offs during the year	-	-	(1,300)	(1,300)
Recovery of investments written off in previous years	-	-	3	3
Others	9	1	23	33
Balance at 31 December 2024	<u>363</u>	<u>91</u>	<u>4,727</u>	<u>5,181</u>

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

The Bank

	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Life-time ECL	<u>Stage 3</u> Life-time ECL	<u>Total</u>
Balance at 1 January 2024	378	180	4,905	5,463
Transfer for the year:				
- to stage 1	-	-	-	-
- to stage 2	(5)	5	-	-
- to stage 3	-	(120)	120	-
Net (decrease) / increase for the year	(69)	11	506	448
Write-offs during the year	-	-	(1,300)	(1,300)
Recovery of investments written off in previous years	-	-	3	3
Others	7	-	6	13
Balance at 31 December 2024	311	76	4,240	4,627

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

15 Investments in associate and joint ventures

Note	<u>The Group</u>		<u>The Bank</u>	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Investments in joint ventures III.38(2)	1,464	2,458	1,464	2,458
Investments in associate III.38(2)	343	367	-	-
Total	1,807	2,825	1,464	2,458

The Group

	1 January 2024	Decrease in Investment	Net income adjusted by equity method	OCI adjusted by equity method	Declared cash dividends	Other changes	31 December 2024
AXA SPDB Investment Managers Co., Ltd.	1,386	-	130	(1)	(51)	-	1,464
SPD Silicon Valley Bank Co., Ltd.	1,072	-	25	3	-	(1,100)	-
Others	367	(1)	62	-	(85)	-	343
Total	2,825	(1)	217	2	(136)	(1,100)	1,807

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

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

With approvals from the national financial regulatory authority and relevant market supervision authorities, SPD Silicon Valley Bank Co., Ltd. changed its name to Shanghai Innovation Bank Co., Ltd., with registered capital remaining at RMB 1 billion. From 2 September 2024, Shanghai Innovation Bank Co., Ltd. was included in the Group's consolidation scope, resulting in the change of accounting method for the corresponding long-term equity investments from the equity method to the cost method.

16 Fixed assets

The Group

	<u>Plant and buildings</u>	<u>Motor vehicles</u>	<u>Electronic computers and other equipments</u>	<u>Equipments such as airplanes and ships</u>	<u>Total</u>
Cost					
1 January 2023	17,285	444	10,717	27,141	55,587
Additions	1,035	15	1,351	6,156	8,557
Transferred in	3,274	-	9	-	3,283
Disposals	(126)	(23)	(663)	-	(812)
31 December 2023	21,468	436	11,414	33,297	66,615
Additions	80	29	820	14,405	15,334
Transferred in	824	-	32	-	856
Disposals	-	(27)	(1,205)	(2,245)	(3,477)
31 December 2024	22,372	438	11,061	45,457	79,328
Accumulated depreciation					
1 January 2023	(5,592)	(350)	(7,356)	(5,132)	(18,430)
Charge	(625)	(27)	(1,367)	(1,500)	(3,519)
Disposals	43	21	616	-	680
31 December 2023	(6,174)	(356)	(8,107)	(6,632)	(21,269)
Charge	(707)	(24)	(1,222)	(1,635)	(3,588)
Disposals	-	26	1,143	613	1,782
31 December 2024	(6,881)	(354)	(8,186)	(7,654)	(23,075)
Impairment allowance					
1 January 2023	-	-	-	-	-
Charge	-	-	-	(38)	(38)
31 December 2023	-	-	-	(38)	(38)
Disposals	-	-	-	20	20
31 December 2024	-	-	-	(18)	(18)
Net book value					
31 December 2024	15,491	84	2,875	37,785	56,235
31 December 2023	15,294	80	3,307	26,627	45,308

The Bank

	Plant and buildings	Motor vehicles	Electronic computers and other equipments	Total
Cost				
1 January 2023	16,801	413	10,402	27,616
Additions	1,035	12	1,314	2,361
Transferred in	3,274	-	9	3,283
Disposals	(108)	(19)	(594)	(721)
31 December 2023	21,002	406	11,131	32,539
Additions	80	25	790	895
Transferred in	-	-	12	12
Disposals	-	(24)	(1,190)	(1,214)
31 December 2024	21,082	407	10,743	32,232
Accumulated depreciation				
1 January 2023	(5,455)	(325)	(7,115)	(12,895)
Charge	(613)	(24)	(1,345)	(1,982)
Disposals	43	17	564	624
31 December 2023	(6,025)	(332)	(7,896)	(14,253)
Charge	(675)	(21)	(1,189)	(1,885)
Disposals	-	22	1,130	1,152
31 December 2024	(6,700)	(331)	(7,955)	(14,986)
Net book value				
31 December 2024	14,382	76	2,788	17,246
31 December 2023	14,977	74	3,235	18,286

As at 31 December 2024, the plant and buildings with original cost of RMB 3,448 million (2023: RMB 5,351 million) and net book value of RMB 3,196 million (2023: RMB 5,137 million) were in use by the Group and the Bank while the property right registration were still in progress.

The Group regularly performs impairment testing on certain fixed assets leased out under operating leases. If the results of the impairment testing indicate that the recoverable amount of an asset is less than its carrying amount, a provision for impairment is made in accordance with the differences and recognised in impairment losses. The recoverable amount of an asset is the higher of its fair value less costs to sell and its present value of expected future cash flows. The management obtained the value of the assets at the end of the lease term from a professional evaluation authority, the costs of disposal include legal costs, related taxes and etc. In calculating the present value of the expected future cash flows from the assets, the management uses the rental amount agreed in the lease contract and the value of the assets at the end of the lease term as the basis for the estimate of future cash flows and selects an appropriate discount rate to determine the present value of the future cash flows, as well as estimating the future cash flows under different scenarios for certain lessees. Except for certain fixed assets leased out under operating leases as mentioned above, there were no significant indications of impairment of the Group's other fixed assets at the end of 2024 and 2023.

17 Lease

(1) Right-of-use assets

The Group

	<u>Plant & buildings</u>	<u>Equipments & others</u>	<u>Total</u>
Cost			
1 January 2023	16,998	152	17,150
Additions	2,196	10	2,206
Decreases	(2,930)	(25)	(2,955)
31 December 2023	16,264	137	16,401
Additions	2,072	15	2,087
Decreases	(3,446)	(56)	(3,502)
31 December 2024	14,890	96	14,986
Accumulated amortisation			
1 January 2023	(9,046)	(82)	(9,128)
Additions	(2,896)	(27)	(2,923)
Decreases	2,776	24	2,800
31 December 2023	(9,166)	(85)	(9,251)
Additions	(2,790)	(22)	(2,812)
Decreases	3,374	53	3,427
31 December 2024	(8,582)	(54)	(8,636)
Net book value			
31 December 2024	6,308	42	6,350
31 December 2023	7,098	52	7,150

The Bank

	<u>Plant & buildings</u>	<u>Equipments & other</u>	<u>Total</u>
Cost			
1 January 2023	16,123	152	16,275
Additions	2,121	10	2,131
Decreases	(2,861)	(25)	(2,886)
31 December 2023	15,383	137	15,520
Additions	1,884	15	1,899
Decreases	(3,246)	(56)	(3,302)
31 December 2024	14,021	96	14,117
Accumulated amortisation			
1 January 2023	(8,698)	(82)	(8,780)
Additions	(2,777)	(27)	(2,804)
Decreases	2,756	24	2,780
31 December 2023	(8,719)	(85)	(8,804)
Additions	(2,641)	(22)	(2,663)
Decreases	3,155	53	3,208
31 December 2024	(8,205)	(54)	(8,259)
Net book value			
31 December 2024	5,816	42	5,858
31 December 2023	6,664	52	6,716

(2) Lease liabilities

As as the date of financial statement, the analysis by remaining maturity date as follows:

The Group

	<u>31 December 2024</u>	<u>31 December 2023</u>
Within 3 months	669	760
3 months to 1 year	1,863	1,967
1 year to 5 years	3,704	4,285
More than 5 years	83	252
Total undiscounted lease liabilities	6,319	7,264
Book value of lease liabilities at year-end	6,013	6,871

The Bank

	<u>31 December 2024</u>	<u>31 December 2023</u>
Within 3 months	628	714
3 months to 1 year	1,756	1,875
1 year to 5 years	3,339	4,033
More than 5 years	52	174
Total undiscounted lease liabilities	5,775	6,796
Book value of lease liabilities at year-end	5,507	6,423

(3) Short-term leases and leases of low-value assets

The Group's short-term leases and leases of low-value assets mainly represent plant and buildings and other equipment.

(4) Leases in which the Group is lessor

Items	<u>2024</u>	<u>2023</u>
Operating leasing income	3,710	2,593
Financial leasing income	4,822	4,468

The Group conducted financial leasing and operating lease businesses in compliance with relevant regulatory requirements. The leased assets primarily included airplanes, ships, and other leasing equipments, with corporate clients being the main lessees.

18 Intangible assets

The Group

	<u>Land use rights</u>	<u>Software and others</u>	<u>Brand and franchise right</u>	<u>Total</u>
Cost				
1 January 2023	6,800	10,080	2,236	19,116
Additions	-	1,091	-	1,091
Disposals	-	(127)	-	(127)
31 December 2023	6,800	11,044	2,236	20,080
Additions	14	1,255	-	1,269
Disposals	-	(3)	-	(3)
31 December 2024	6,814	12,296	2,236	21,346
Accumulated amortisation				
1 January 2023	(974)	(7,793)	-	(8,767)
Amortization	(174)	(1,451)	-	(1,625)
Disposals	-	79	-	79
31 December 2023	(1,148)	(9,165)	-	(10,313)
Amortization	(176)	(1,274)	-	(1,450)
Disposals	-	1	-	1
31 December 2024	(1,324)	(10,438)	-	(11,762)
Net book value				
31 December 2024	5,490	1,858	2,236	9,584
31 December 2023	5,652	1,879	2,236	9,767

In 2024, the Group performed an impairment testing for the brand and franchise rights (with indefinite useful lives) of Shanghai International Trust Co., Ltd. ("Shanghai International Trust"), and concluded that no provisions for impairment were required. In the impairment testing, the recoverable amount is determined by reference to its fair value less costs of disposal. The management selected comparable company cases and evaluated the fair value of such brands and franchise rights with a price to book value ratio method, and corrected the price to book value ratio according to specific risk factors.

The Bank

	<u>Land use rights</u>	<u>Software and others</u>	<u>Total</u>
Cost			
1 January 2023	6,797	9,204	16,001
Additions	-	1,039	1,039
Disposals	-	(2)	(2)
31 December 2023	6,797	10,241	17,038
Additions	14	1,057	1,071
Disposals	-	-	-
31 December 2024	6,811	11,298	18,109
Accumulated amortisation			
1 January 2023	(973)	(6,992)	(7,965)
Amortization	(173)	(1,438)	(1,611)
Disposals	-	2	2
31 December 2023	(1,146)	(8,428)	(9,574)
Amortization	(176)	(1,242)	(1,418)
Disposals	-	-	-
31 December 2024	(1,322)	(9,670)	(10,992)
Net book value			
31 December 2024	5,489	1,628	7,117
31 December 2023	5,651	1,813	7,464

19 Goodwill

	31 December <u>2024</u>	31 December <u>2023</u>
Goodwill		
-Shanghai International Trust	5,351	5,351
Less: impairment allowances	-	-
Total	5,351	5,351

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 cash generating unit (CGU) or CGUs on transaction date according to operating segments are summarised as follows:

	31 December 2024	31 December 2023
Shanghai International Trust	4,739	4,739
Subsidiaries of Shanghai International Trust	612	612
Total	5,351	5,351

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

It mainly represents the Shanghai International Trust asset group and the asset group of Shanghai International Trust's related subsidiaries. At the end of 2024, the cash flows of the above asset groups were basically independent of cash inflows generated by other assets or asset groups, and belonged to the trust business segment, monetary brokerage segment and investment management segment respectively. The asset group to which the Group's goodwill was allocated remained unchanged during the year.

(2) Method used to determine the recoverable amount:

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

<u>Item</u>	<u>Carrying amount (RMB)</u>	<u>Recoverable amount (RMB)</u>	<u>Impairment amount</u>	<u>The method used to determine the fair value and the cost of disposal</u>	<u>Key parameters</u>	<u>Basis for determining the key parameters</u>
Shanghai International Trust	30.1 billion	35.0 billion	-	Use the comparable transaction method to determine fair value and consider related costs of disposal	Price-to-book ratio (P/B) (1.3 times to 1.8times)	Determine based on the comparable trading P/B multiples and adjust the P/B in accordance with specific risk factors

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

20 Deferred income tax

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

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Deferred income tax assets	75,261	71,598	72,695	69,250
Deferred income tax liabilities	(630)	(1,014)	-	-

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

The Group

	31 December 2024		31 December 2023	
	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)
Impairment allowances for assets	312,228	78,058	271,862	67,957
Fair value changes of derivative financial liabilities	78,434	19,609	52,293	13,073
Fair value changes of financial assets measured at FVOCI	6,906	1,726	8,829	2,138
Employee benefits payable	4,996	1,249	8,435	2,109
Provisions	7,806	1,951	7,753	1,938
Fair value changes of financial instruments measured at FVTPL	6,860	1,715	2,940	736
Others	12,226	3,056	12,885	3,220
Subtotal	429,456	107,364	364,997	91,171
Offset amounts		(32,103)		(19,573)
Deferred income tax assets after offsetting		75,261		71,598

	31 December 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial assets	(88,854)	(22,214)	(56,311)	(14,077)
Fair value changes of financial instruments measured at FVTPL	(15,859)	(3,964)	(12,723)	(3,181)
Fair value changes of financial assets measured at FVOCI	(17,843)	(4,471)	(4,127)	(1,032)
Differences between fair value and carrying amount of identifiable net assets arising from business combinations of entities not under common control	(2,464)	(616)	(2,441)	(610)
Others	(5,876)	(1,468)	(6,749)	(1,687)
Subtotal	<u>(130,896)</u>	<u>(32,733)</u>	<u>(82,351)</u>	<u>(20,587)</u>
Offset amounts		32,103		19,573
Deferred tax liabilities after offsetting		<u>(630)</u>		<u>(1,014)</u>

The Bank

	31 December 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for assets	304,702	76,176	265,863	66,466
Fair value changes of derivative financial liabilities	78,434	19,609	52,260	13,065
Fair value changes of financial assets measured at FVOCI	6,386	1,596	8,017	2,004
Provisions	7,805	1,951	7,753	1,938
Employee benefits payable	3,368	842	6,878	1,719
Fair value changes of financial instruments measured at FVTPL	6,869	1,717	2,782	696
Others	11,505	2,877	11,659	2,916
Subtotal	<u>419,069</u>	<u>104,768</u>	<u>355,212</u>	<u>88,804</u>
Offset amounts		(32,073)		(19,554)
Deferred income tax assets after offsetting		<u>72,695</u>		<u>69,250</u>

	31 December 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial assets	(88,838)	(22,210)	(56,265)	(14,066)
Fair value changes of financial instruments measured at FVTPL	(15,857)	(3,964)	(11,131)	(2,783)
Fair value changes of financial assets measured at FVOCI	(17,739)	(4,435)	(4,102)	(1,026)
Others	(5,858)	(1,464)	(6,716)	(1,679)
Subtotal	<u>(128,292)</u>	<u>(32,073)</u>	<u>(78,214)</u>	<u>(19,554)</u>
Offset amounts		32,073		19,554
Deferred tax liabilities after offsetting		<u>-</u>		<u>-</u>

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

	Note	The Group		The Bank	
		2024	2023	2024	2023
Balance at the beginning of the year		70,584	68,049	69,250	66,867
Charged to profit or loss	III.7	7,688	4,198	6,944	4,006
Charged to other comprehensive income	III.34	(3,641)	(1,663)	(3,499)	(1,623)
Balance at the end of the year		<u>74,631</u>	<u>70,584</u>	<u>72,695</u>	<u>69,250</u>

21 Other assets

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Margin deposits	42,953	21,483	42,378	21,483
Suspense accounts	41,843	21,443	40,261	21,004
Other receivables	9,478	14,360	8,158	13,066
Interest receivable	3,940	3,622	3,940	3,621
Prepayment for land-use rights and others	2,892	3,115	1,123	1,101
Long-term deferred expenses	1,334	1,488	1,262	1,414
Payments to Trust Protection Fund	658	872	-	-
Reposessed assets	582	448	298	361
Others	2,504	2,635	1,412	1,621
Total	<u>106,184</u>	<u>69,466</u>	<u>98,832</u>	<u>63,671</u>

22 Deposits and placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Deposits from domestic banks	99,083	197,810	108,093	204,861
Deposits from overseas banks	1,659	2,393	1,659	2,393
Deposits from domestic non-bank financial institutions	752,408	770,439	754,990	773,728
Deposits from overseas non-bank financial institutions	14,680	16,028	15,602	16,743
Placements from domestic banks	278,883	262,430	161,988	168,802
Placements from overseas banks	67,811	38,847	57,674	29,757
Placements from domestic non-bank financial institutions	1,185	600	1,185	600
Accrued interest	5,896	5,162	5,168	4,794
Total	<u>1,221,605</u>	<u>1,293,709</u>	<u>1,106,359</u>	<u>1,201,678</u>

23 Financial liabilities measured at FVTPL

Note	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Financial liabilities associated with bonds	24,787	7,750	24,787	7,750
Financial liabilities related to precious metals	5,185	119	5,185	119
Interest of other unitholders in consolidated structured entities (1)	<u>3,200</u>	<u>2,338</u>	<u>-</u>	<u>-</u>
Total	<u>33,172</u>	<u>10,207</u>	<u>29,972</u>	<u>7,869</u>

(1) The Group designated interests attributable to other unit holders in consolidated structured entities as financial liabilities measured at FVTPL.

(2) As at 31 December 2024 and 31 December 2023, 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 2024	31 December 2023	31 December 2024	31 December 2023
Bonds	347,787	427,511	252,390	361,394
Bills	153,761	87,381	153,761	87,381
Deposit certificates issued by other financial institutions	4,219	4,637	-	-
Accrued interest	195	255	195	255
Total	505,962	519,784	406,346	449,030

25 Deposits from customers

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Current deposits				
-Corporate	1,620,275	1,813,631	1,606,476	1,808,067
-Retail	414,676	354,015	411,861	351,177
Time deposits				
-Corporate	1,943,073	1,765,364	1,928,882	1,761,829
-Retail	1,160,310	1,049,278	1,138,522	1,029,042
Other deposits	7,625	2,342	7,592	2,328
Subtotal	5,145,959	4,984,630	5,093,333	4,952,443
Accrued interest	83,323	75,714	82,310	74,702
Total	5,229,282	5,060,344	5,175,643	5,027,145

26 Debt securities issued

	Note	The Group		The Bank	
		31 December 2024	31 December 2023	31 December 2024	31 December 2023
Interbank deposit certificates and deposit certificates issued	(1)	1,010,322	636,053	1,010,322	636,053
Bonds issued					
2020 Tier II First Financial bond	(2)	32,000	32,000	32,000	32,000
2020 Tier II Second Financial Bond	(3)	8,000	8,000	8,000	8,000
2020 Tier II Third Financial Bond	(4)	30,000	30,000	30,000	30,000
2020 Tier II Fourth Financial Bond	(5)	10,000	10,000	10,000	10,000
2021 First Financial Bond	(6)	-	60,000	-	60,000
2021 Second Financial Bond	(7)	-	40,000	-	40,000
2022 First Financial Bond (Variety I)	(8)	25,000	25,000	25,000	25,000
2022 First Financial Bond (Variety II)	(8)	5,000	5,000	5,000	5,000
2022 Third Financial Bond	(9)	30,000	30,000	30,000	30,000
2022 Fourth Financial Bond	(10)	30,000	30,000	30,000	30,000
2023 Green Financial Bond	(11)	30,000	30,000	30,000	30,000
2024 First Financial Bond	(12)	29,990	-	30,000	-
2024 Second Financial Bond	(13)	30,000	-	30,000	-
2024 Tier II Capital Notes (Serise 1) (Variety I)	(14)	35,000	-	35,000	-
2024 First Tier II Capital Notes (Serise 1) (Variety II)	(14)	5,000	-	5,000	-
2024 Second Tier II Capital Notes (Serise 2) (Variety I)	(15)	34,000	-	34,000	-
2024 Tier II Capital Notes (Serise 2) (Variety II)	(15)	6,000	-	6,000	-
Hong Kong medium-term note	(16)	3,600	4,964	3,600	4,964
Singapore medium-term note	(17)	2,190	2,128	2,190	2,128
London medium-term note	(18)	2,920	2,837	2,920	2,837
SPDB Convertible corporate bonds	(19)	49,998	49,998	49,998	49,998
2020 Tier II SPDB Financial Leasing Financial Bond	(20)	1,100	1,100	-	-
2021 SPDB Financial Leasing Financial Green Bond	(21)	-	3,000	-	-
2021 First SPDB Financial Leasing Financial Bond	(22)	-	2,000	-	-
2022 First SPDB Financial Leasing Financial Bond	(23)	1,500	1,450	-	-
Subtotal		401,298	367,477	398,708	359,927
Add: Unamortized issue cost and others		2,346	2,462	2,348	2,468
Debt securities issued		403,644	369,939	401,056	362,395
Accrued interest		6,006	5,661	5,968	5,562
Total		1,419,972	1,011,653	1,417,346	1,004,010

- (1) As at 31 December 2024, the Group and the Bank issued a total of 182 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 366 days and interest rates falling within a range from 1.60% to 2.47% (As at 31 December 2023, the Group issued a total of 181 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 366 days and interest rates falling within a range from 2.00% to 2.76%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2024, the number of deposit certificates publicly issued but not yet expired were 122 in total, with the longest term to maturity being 387 days and interest rates falling within a range from 2.08% to 5.65% (As at 31 December 2023, the number of deposit certificates publicly issued but not yet expired were 112 in total, with the longest term to maturity being 365 days and interest rates falling within a range from 2.87% to 6.01%).

- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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%. As at 31 December 2024, the Bank has completed the redemption.
- (7) 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%. As at 31 December 2024, the Bank has completed the redemption.
- (8) The Bank issued “2022 First Financial Bond (Variety I)” in the amount of RMB 25 billion and “2022 First Financial Bond (Variety II)” in the amount of RMB 5 billion in

the domestic inter-bank market on 21 January 2022. Both bonds have a term of 3 years through maturity, with a fixed annual coupon rate of 2.69%.

- (9) The Bank issued “2022 Second Financial Bond” in the amount of RMB 30 billion in the domestic inter-bank market on 24 February 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.78%.
- (10) The Bank issued “2022 Third Financial Bond” in the amount of RMB 30 billion in the domestic inter-bank market on 9 November 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.45%.
- (11) The Bank issued “2023 First Green Financial Bond” in the amount of RMB 30 billion in the domestic inter-bank market on 24 March 2023 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.79%.
- (12) The Bank issued “2024 First Financial Bond” in the amount of RMB 30 billion in the domestic inter-bank market on 29 February 2024 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.35%. On December 31, 2024, the actual amount of the bond issued by the Group was RMB 29.99 billion.
- (13) The Bank issued “2024 Second Financial Bond” in the amount of RMB 30 billion in the domestic inter-bank market on 26 March 2024 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.38%.
- (14) The Bank issued Tier II capital Notes with a total amount of RMB 35 billion and RMB 5 billion respectively in the domestic inter-bank market on 14 August 2024. The bonds have a maturity of 10 years and 15 years respectively, and the bank has the option to conditionally redeem all or part of the bond at face value at the end of the fifth and tenth year, with fixed annual interest rates of 2.17% and 2.30%, respectively.
- (15) The Bank issued Tier II capital Notes with a total amount of RMB 34 billion and RMB 6 billion respectively in the domestic inter-bank market on 6 December 2024. The bonds have a maturity of 10 years and 15 years respectively, and the bank has the option to conditionally redeem all or part of the bond at face value at the end of the fifth and tenth year, with fixed annual interest rates of 2.15% and 2.34%, respectively.
- (16) The Bank issued USD 700 million medium-term note in Hong Kong Stock Exchange on 13 July 2021 which has a term of 3 years through maturity, with a fixed coupon rate of 0.875%. In 2024, the Bank has exercised the redemption option on the above-mentioned notes. On 20 March 2024, the bank issued medium-term notes with a total amount of HKD 1.5 billion and USD 300 million on the Hong Kong Stock Exchange. The notes have a maturity of 2 years and 3 years respectively, and the coupon rates are fixed rate 4.60% and floating rate of SOFR+59BPS.
- (17) The Bank issued medium-term notes totaling USD 300 million on the Singapore Exchange on 19 January 2021; the notes have a term of 3 years and a fixed coupon rate of 1.056% per annum. In 2024, the Bank has exercised the redemption option on the above-mentioned notes. On 28 October 2024, the Bank issued a medium-term note with a total amount of 300 million US dollars on the Singapore Exchange. The note has a term of 3 years and a floating interest rate of SOFR+60BPS.

- (18) The Bank issued USD 400 million medium-term notes on London Stock Exchange on 14 July 2022 which has a term of 3 years through maturity, with a fixed coupon rate of 3.25% per annum.
- (19) The Bank made a public offering of RMB 50 billion, A-share convertible corporate bonds on 15 November 2019. The convertible corporate bonds have a term of six years from 28 October 2019 to 27 October 2025, at coupon rates of 0.20% for the first year, 0.80% for the second year, 1.50% for the third year, 2.10% for the fourth year, 3.20% for the fifth year and 4.00% for the sixth year. The 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 impact of cash dividends and change 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 2024, a total of RMB 1,431,000 convertible corporate bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 97,905.

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

	<u>Liability</u>	<u>Equity (Note III.30)</u>	<u>Total</u>
Issued amount of convertible bonds	47,214	2,786	50,000
Direct issuance expenses	(78)	(4)	(82)
Balance at the issuance date	47,136	2,782	49,918
Accumulated amortisation at the beginning of the year	5,446	-	5,446
Accumulated converted bonds at the beginning of the year	(2)	-	(2)
Balance at 1 January 2024	52,580	2,782	55,362
Amortisation in the current period	364	-	364
Balance at 31 December 2024	<u>52,944</u>	<u>2,782</u>	<u>55,726</u>

- (20) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank issued Tier II capital instruments in the amount of RMB 1.1 billion in the domestic inter-bank market on 11 August 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.20%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.
- (21) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2021 Green Finance Bonds” in the amount of RMB 3 billion in the domestic inter-bank market on 6 July 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.38%. As at 31 December 2024, the bond has matured the Bank has completed the redemption.
- (22) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2021 First Financial Bond” in the amount of RMB 2 billion in the domestic inter-bank market on 21 October 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.30%. As at 31 December 2024, the bond has matured the Bank has completed the redemption.
- (23) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2022 First Financial Bond (Freight and logistics)” in the amount of RMB 1.5 billion in the domestic inter-bank market on 8 July 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.93%.
- (24) As at the reporting date, the Group has not defaulted on any of its issued debt securities.

27 Provisions

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Impairment allowance for financial guarantees and loan commitments	7,733	7,726	7,732	7,726
Pending litigation losses	73	27	73	27
Others	4	-	-	-
Total	7,810	7,753	7,805	7,753

28 Other liabilities

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Suspense accounts	47,755	21,347	47,504	21,347
Employee benefits payable	12,373	13,879	10,466	12,067
Advance from performance deposits and other deposits	3,797	3,624	678	993
VAT and other taxes payable	3,475	3,306	2,981	2,868
Accrued expenses	2,501	2,022	2,389	1,965
Contract liabilities	2,469	2,649	1,920	2,130
Dividend payable	55	42	45	36
Others	6,151	6,826	1,788	2,190
Total	<u>78,576</u>	<u>53,695</u>	<u>67,771</u>	<u>43,596</u>

29 Share capital

The Group and the Bank

	31 December <u>2024</u>	31 December <u>2023</u>
Domestic listed RMB ordinary share (A shares)	<u>29,352</u>	<u>29,352</u>

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

The Group and the Bank

	Note	31 December <u>2024</u>	31 December <u>2023</u>
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)	<u>79,919</u>	<u>109,909</u>
Total		<u>82,701</u>	<u>112,691</u>

- (1) As at 31 December 2024, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2023: 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 equity instruments outstanding	Dividend rate	Issuance Price (RMB)	Number	Opening amount	Movements during the year	Closing amount	Maturity date or renewals	Conversion (Yes/No)
Pufayou 1(a)	6% for the first five years; 5.58% for the second five years 4.27% for the third five years 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
Pufayou 2(a)		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)	10	(81)		
Carrying amount				109,909	(29,990)	79,919		

- (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. During the term of preference shares, the Bank has the option to redeem part or all outstanding preference shares on any dividend payment date after five years from the issuance if certain conditions are met, under the approval obtained from the regulatory authorities. Holders of the preference shares have no right to require the Bank to redeem the outstanding preference shares. Dividends of the preference shares are payable in cash on annual basis at a fixed dividend rate which is adjusted every five years. The Bank at its discretion has the right not to declare and distribute the dividends of the preference shares in part or full.

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

1. When the core tier 1 capital adequacy ratio of the Bank decreases to 5.125%(or below), upon the approval from the Board of Directors, the outstanding preference share shall be converted into the Bank's ordinary shares in part or full at a pre-determined mandatory conversion price so as to bring the Bank's core tier 1 capital adequacy ratio back to above 5.125%;
2. When any triggering event of the Bank's tier 2 capital instruments occurs, the outstanding preference shares shall be converted to the Bank's ordinary A shares at the pre-determined mandatory conversion price.

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

Pursuant to the relevant laws and regulations, and the Approval from CBIRC on the Bank's Non-Public Offering of Preference Shares and Corresponding Revisions to the Article of Association (Yin Jianfu [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 Open-term capital bonds of the Shanghai Pudong Development Bank Co., Ltd. " (RMB 30 billion) and "2020 Open-term capital bonds of the Shanghai Pudong Development Bank Co., Ltd." (RMB 50 billion) in the inter-bank market on July 2019 and November 2020 respectively, which were all accounted for as other equity instruments after deducting issuance expenses .The duration of this open-term capital bonds was consistent with the duration of the Bank's continuing operations. The Bank shall have the right to redeem the open-term capital bonds in whole or in part on the fifth distribution payment date since the issuance, provided that prerequisite for redemption is met and such redemption is approved by the regulatory authorities, and the bond investors have no right to request the Bank to redeem the capital bonds with unfixed terms. The Bank shall have the right to cancel, in whole or in part, declaration and distributions on the open-term capital bonds.

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

The compensation order of the open-term capital bonds 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 open-term capital bonds will be compensated in the same order with other Tier 1 capital instruments which have the same compensation order.

As for the "2019 Open-term capital bonds of the Shanghai Pudong Development Bank Co., Ltd.", the Bank has the right to write down the bonds without obtaining the consent of the open-term capital bonds investor when the Bank triggers the following

trigger events as deemed by the regulatory authorities or relevant departments and obtains regulatory approval.

1. Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), with the consent of the regulatory authorities and without the consent of the bondholders, the Bank has the right to write down all or part of the above open-term capital bonds issued and existing at that time in accordance with the total par value, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%.
2. When any triggering event of the Bank's tier 2 capital instruments occurs, the Bank has the right to write down all the above open-term capital bonds issued and existing at that time in accordance with the total par value without the consent of the bond holders.

As for the "2020 Open-term capital bonds of the Shanghai Pudong Development Bank Co., Ltd.", if the trigger events does not occur, the Bank has the right to write down the bonds in whole or in part. without obtaining the consent of the bond holder.

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

With approval from relevant regulatory authorities, the Bank redeemed its 2019 Open-term capital bonds in 2024, with the exercise payment date on 12 July 2024.

31 Capital reserves

	The Group		The Bank	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Share premium	81,691	81,691	81,691	81,691
Other capital surplus				
- Capital increase of subsidiaries	219	50	-	-
- Others	11	21	28	21
Total	81,921	81,762	81,719	81,712

As mentioned in Note III. 26(19), with the approval of the regulatory authorities and other relevant institutions, the Bank publicly issued A-share convertible corporate bonds with a face value of RMB 50 billion in 2019. As at December 31, 2024, about RMB 1,431,000 of convertible corporate bonds had been converted into A-share ordinary shares, accumulatively increasing the bank's share capital to 97,905 shares, and increasing the Bank's share capital premium accordingly.

32 Surplus reserves

The Group and The Bank

	1 January <u>2024</u>	<u>Addition</u>	31 December <u>2024</u>
Statutory reserve	22,206	3,293	25,499
Discretionary reserve	166,723	-	166,723
Total	188,929	3,293	192,222

	1 January <u>2023</u>	<u>Addition</u>	31 December <u>2023</u>
Statutory reserve	22,206	-	22,206
Discretionary reserve	152,179	14,544	166,723
Total	174,385	14,544	188,929

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 <u>2024</u>	<u>Addition</u>	31 December <u>2024</u>
General risk reserve	<u>101,575</u>	<u>5,121</u>	<u>106,696</u>

	1 January <u>2023</u>	<u>Addition</u>	31 December <u>2023</u>
General risk reserve	<u>99,515</u>	<u>2,060</u>	<u>101,575</u>

The Bank

	1 January <u>2024</u>	<u>Addition</u>	31 December <u>2024</u>
General risk reserve	<u>98,000</u>	<u>4,500</u>	<u>102,500</u>

	1 January <u>2023</u>	<u>Addition</u>	31 December <u>2023</u>
General risk reserve	<u>93,500</u>	<u>4,500</u>	<u>98,000</u>

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 other reserves 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 2024 to 31 December 2024					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	(3,645)	17,699	(3,412)	(3,492)	10,795	-	7,150
- Impairment allowance	5,371	120	(1,300)	226	(954)	-	4,417
Exchange differences from the translation of foreign operations	469	74	-	-	41	33	510
Cash flow hedge reserve	70	330	-	(82)	167	81	237
Others	-	2	-	-	2	-	2
Item that will not be reclassified to profit or loss							
Change in fair value of other equity instruments							
- Fair value changes	(158)	1,171	-	(293)	878	-	720
	<u>2,107</u>	<u>19,396</u>	<u>(4,712)</u>	<u>(3,641)</u>	<u>10,929</u>	<u>114</u>	<u>13,036</u>

	Opening balance of other comprehensive income attributable to the Bank's Shareholders	for the year from 1 January 2023 to 31 December 2023					Internal transfer of owner's equity	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	(7,106)	4,988	(395)	(1,133)	3,461	(1)	-	(3,645)
- Impairment allowance	3,376	3,030	(366)	(669)	1,995	-	-	5,371
Exchange differences from the translation of foreign operations	320	179	-	-	149	30	-	469
Cash flow hedge reserve	6	118	-	(30)	64	24	-	70
Others	1	(1)	-	-	(1)	-	-	-
Item that will not be reclassified to profit or loss								
Change in fair value of other equity instruments								
- Fair value changes	350	(916)	-	169	(747)	-	239	(158)
	<u>(3,053)</u>	<u>7,398</u>	<u>(761)</u>	<u>(1,663)</u>	<u>4,921</u>	<u>53</u>	<u>239</u>	<u>2,107</u>

The Bank

	Opening balance of other comprehensive <u>income</u>	<u>for the year from 1 January 2024 to 31 December 2024</u>				Ending balance of other comprehensive <u>income</u>
		<u>Transfer in before tax</u>	<u>Less: Transfer out</u>	<u>Less: Income tax</u>	<u>Attributable to the Bank after tax</u>	
Items that may be reclassified to profit or loss						
Debt instruments measured at FVOCI						
- Fair value changes	(2,802)	17,336	(3,316)	(3,510)	10,510	7,708
- Impairment allowance	4,863	104	(1,300)	299	(897)	3,966
Exchange differences from the translation of foreign operations	(20)	(26)	-	-	(26)	(46)
Cash flow hedge reserve	10	(22)	-	5	(17)	(7)
Others	-	2	-	-	2	2
Item that will not be reclassified to profit or loss						
Change in fair value of other equity instruments						
- Fair value changes	(158)	1,173	-	(293)	880	722
	<u>1,893</u>	<u>18,567</u>	<u>(4,616)</u>	<u>(3,499)</u>	<u>10,452</u>	<u>12,345</u>

	Opening balance of other comprehensive <u>income</u>	<u>for the year from 1 January 2023 to 31 December 2023</u>				Internal transfer of owner's <u>equity</u>	Ending balance of other comprehensive <u>income</u>
		<u>Transfer in Before tax</u>	<u>Less: Transfer out</u>	<u>Less: Income tax</u>	<u>After tax</u>		
Items that may be reclassified to profit or loss							
Financial investments measured at FVOCI							
- Fair value changes	(6,141)	4,950	(501)	(1,110)	3,339	-	(2,802)
- Impairment allowance	2,844	2,922	(230)	(673)	2,019	-	4,863
Exchange differences from the translation of foreign operations	(44)	24	-	-	24	-	(20)
Cash flow hedge reserve	(17)	36	-	(9)	27	-	10
Others	1	(1)	-	-	(1)	-	-
Item that will not be reclassified to profit or loss							
Change in fair value of other equity instruments							
- Fair value changes	350	(916)	-	169	(747)	239	(158)
	<u>(3,007)</u>	<u>7,015</u>	<u>(731)</u>	<u>(1,623)</u>	<u>4,661</u>	<u>239</u>	<u>1,893</u>

35 Profit appropriations

(1) Profit distribution for the year ended 31 December 2023

Pursuant to the approval at the Shareholders' meeting on 28 June 2024, the Bank's profit distribution plan for the year ended 31 December 2023 is as follows:

- (i) The Bank appropriated for discretionary surplus reserve at 10% of the profit after tax, amounting to RMB 3,293 million;
- (ii) Appropriate RMB 4.5 billion as general reserve;
- (iii) The Bank declared and distributed cash dividends of RMB 3.21 (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 2022

Pursuant to the approval at the Shareholders' meeting on 28 June 2023, the Bank's profit distribution plan for the year ended 31 December 2022 is as follows:

- (i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 14,544 million;
- (ii) Appropriate RMB 4.5 billion as general reserve;
- (iii) The Bank declared and distributed cash dividends of RMB 3.2 (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution.

(3) Dividend distribution for preference shares

On 29 October 2024, 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 2024, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 23 February 2024, 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 2024, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

On 27 October 2023, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 837 million in total (tax included) on 4 December 2023, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 24 February 2023, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 721.5 million in total (tax included) on 13 March 2023, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

(4) Interests payment of open-term capital bonds

In November 2024, the Bank has declared the distribution of RMB 2.375 billion of interests of open-term capital bonds according to the relevant terms of issuance of the 2020 open-term capital capital bonds.

In July 2024, the Bank has declared the distribution of RMB 1.419 billion of interests of open-term capital bonds according to the relevant terms of issuance of the 2019 open-term capital bonds.

In November 2023, the Bank has declared the distribution of RMB 2.375 billion of interests of open-term capital bonds according to the relevant terms of issuance of the 2020 open-term capital bonds.

In July 2023, the Bank has declared the distribution of RMB 1.419 billion of interests of open-term capital bonds according to the relevant terms of issuance of the 2019 open-term capital bonds.

36 Transfers of financial assets

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

Assets backed securitization transaction

The Group sells loan assets to structured entities, which then issue asset-backed securities to investors. The partial securitization transactions conducted by the Group will result in the Group terminating the recognition of all transferred financial assets. For the year ended 31 December 2024, the Group transferred financial assets amounted to RMB 29,621 million through assets backed securitization transactions, and all have met the requirement of derecognition (For the year ended 31 December 2023, the Group transferred financial assets amounted to RMB 26,141 million through assets backed securitization transactions, and all have met the requirement of derecognition).

As at 31 December 2024, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 35,874 million (31 December 2023: RMB 35,874 million) to securitised entities. The Group neither transfers nor retains substantially all of the risks and rewards related to ownership of the credit assets, but it retains control over the credit assets. The Group will recognise the assets on the statement of financial position according to the degree of its continued involvement, and the rest will be derecognised. As at 31 December 2024, the assets value of the Group's continued recognition was RMB 4,650 million (31 December 2023: RMB 4,650 million).

Transfer of non-performing financial assets

In 2024, the Group directly transferred non-performing loans and financial investments totaling RMB 20,508 million to third-party asset management companies, with all such assets derecognized (2023: directly transferred non-performing loans and financial investments totaling RMB 9,515 million to third-party asset management companies, with all such assets derecognized).

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 2024, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 51,405 million (31 December 2023: RMB 64,575 million).

Financial assets sold under repurchase agreements

Sale and repurchase agreements represent transactions in which the Group sells financial assets while simultaneously entering into an agreement to repurchase the same or substantially identical assets at a predetermined price on a specified future date. As the repurchase price is fixed, the Group retains substantially all credit and market risks and rewards associated with the sold assets. The sold financial assets (which remain unavailable to the Group during the repurchase period) are not derecognized in the financial statements. Instead, they are classified as collateral for corresponding secured borrowings, given the Group's retention of substantially all risks and rewards. Furthermore, the Group recognizes a financial liability for the consideration received. Please see Note III. 24.

37 Involvement with unconsolidated structured entities

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

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

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

	<u>The Group</u>	
	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Carrying amount		
Financial investments		
measured at FVTPL		
Fund investments	485,481	434,606
Equity investments	11,100	11,109
Capital trust and asset management plans	3,990	10,220
ABS	2,211	1,927
Other investments	4,099	6,613
Financial investments measured		
at amortised cost		
Trust and asset management plans	94,314	133,648
ABS	101,171	124,628
Financial investments		
measured at FVOCI		
ABS	19,660	6,302
Reposessed equity instruments	495	502
Other investments	2,591	1,575

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

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

The types of unconsolidated structured entities sponsored by the Group include wealth management products, trust plan, fund investment and ABS. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services.

As at 31 December 2024, the amount of assets held by the unconsolidated wealth management products, which are sponsored by the Group, were RMB 1,395,127 million (31 December 2023: RMB 1,079,618 million).

During the year of 2024 and 2023, the Group did not provide significant financial support to the wealth management products sponsored by the Group.

As at 31 December 2024, the amount of assets held by the unconsolidated trust plans, which are sponsored by the Group, were RMB 768,245 million (31 December 2023: RMB 370,713 million).

As at 31 December 2024, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 22,772 million (31 December 2023: RMB 39,220 million).

As at 31 December 2024, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 118,262 million (31 December 2023: RMB 114,637 million).

In 2024, the Group's commission income from providing services to the wealth management products and Trust plans was RMB 3,279 million and RMB 652 million, respectively. (In 2023: RMB 2,394 million and RMB 802 million). The commission income from other non-consolidated structured entities managed by the Group is not material.

- (3) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2024

The total amount of the wealth management products issued by the Group after 1 January 2024 but matured before 31 December 2024 was RMB 139,445 million (The total amount of the wealth management products issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB 57,116 million).

The total amount of ABS issued by the Group after 1 January 2024 but matured before 31 December 2024 was RMB 285 million (The total amount of ABS issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB 753 million).

The total amount of the trust plans or investments in funds issued by the Group after 1 January 2024 and expired before 31 December 2024 was not significant.

38 Interests in other entities

(1) Interests in major subsidiaries

(i) Major subsidiaries of the Group

<i>Name of subsidiaries</i>	<i>Place of main business</i>	<i>Place of registration</i>	<i>Registered capital</i>	<i>Obtaining method</i>	<i>Share-holding percentage (direct)</i>
SPDB Financial Leasing Co., Ltd.	Shanghai	Shanghai	CNY 6,403,574,436	Establishment	69.56%
Shanghai International Trust	Shanghai	Shanghai	CNY 5,000,000,000	Acquisition	97.33%
SPDB International Holding, Ltd.	Hong Kong	Hong Kong	HKD 505,000,000	Acquisition	100.00%
SPDB Wealth Management Co., Ltd.	Shanghai	Shanghai	CNY 5,000,000,000	Establishment	100.00%
Shanghai Innovation Bank Co., Ltd.	Shanghai	Shanghai	CNY 1,000,000,000	Establishment	100.00%
Mianzhu SPD Rural Bank Co., Ltd.	Mianzhu, Sichuan	Mianzhu, Sichuan	CNY 50,000,000	Establishment	55.00%
Liyang SPD Rural Bank Co., Ltd.	Liyang, Jiangsu	Liyang, Jiangsu	CNY 150,000,000	Establishment	51.00%
Gongyi SPD Rural Bank Co., Ltd.	Gongyi, Henan	Gongyi, Henan	CNY 150,000,000	Establishment	51.00%
Shanghai Fengxian SPD Rural Bank Co., Ltd.	Fengxian, Shanghai	Fengxian, Shanghai	CNY 150,000,000	Establishment	51.00%
Zixing SPD Rural Bank Co., Ltd.	Zixing, Hunan	Zixing, Hunan	CNY 150,000,000	Establishment	51.00%
Chongqing Banan SPD Rural Bank Co., Ltd.	Banan, Chongqing	Banan, Chongqing	CNY 50,000,000	Establishment	51.00%
Zouping SPD Rural Bank Co., Ltd.	Zouping, Shandong	Zouping, Shandong	CNY 150,000,000	Establishment	51.00%
Zezhou SPD Rural Bank Co., Ltd.	Jincheng, Shanxi	Jincheng, Shanxi	CNY 150,000,000	Establishment	51.00%
Dalian Ganjingzi SPD Rural Bank Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	CNY 50,000,000	Establishment	51.00%
Hancheng SPD Rural Bank Co., Ltd.	Hancheng Shaanxi	Hancheng Shaanxi	CNY 50,000,000	Establishment	51.00%
Jiangyin SPD Rural Bank Co., Ltd.	Jiangyin, Jiangsu	Jiangyin, Jiangsu	CNY 100,000,000	Establishment	51.00%
Zhejiang Pingyang SPD Rural Bank Co., Ltd.	Pingyang, Zhejiang	Pingyang, Zhejiang	CNY 100,000,000	Establishment	51.00%
Zhejiang Xinchang SPD Rural Bank Co., Ltd.	Xinchang, Zhejiang	Xinchang, Zhejiang	CNY 100,000,000	Establishment	51.00%
Yuanjiang SPD Rural Bank Co., Ltd.	Yuanjiang, Hunan	Yuanjiang, Hunan	CNY 50,000,000	Establishment	51.00%
Chaling SPD Rural Bank Co., Ltd.	Zhuzhou, Hunan	Zhuzhou, Hunan	CNY 50,000,000	Establishment	51.00%
Linchuan SPD Rural Bank Co., Ltd.	Fuzhou, Jiangxi	Fuzhou, Jiangxi	CNY 100,000,000	Establishment	51.00%
Linwu SPD Rural Bank Co., Ltd.	Chenzhou, Hunan	Chenzhou, Hunan	CNY 50,000,000	Establishment	51.00%
Hengnan SPD Rural Bank Co., Ltd.	Hengyang, Hunan	Hengyang, Hunan	CNY 50,000,000	Establishment	51.00%
Haerbin Hulan SPD Rural Bank Co., Ltd.	Haerbin, Heilongjiang	Haerbin, Heilongjiang	CNY 100,000,000	Establishment	51.00%
Gongzhuling SPD Rural Bank Co., Ltd.	Siping, Jilin	Siping, Jilin	CNY 50,000,000	Establishment	51.00%
Yuzhong SPD Rural Bank Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	CNY 50,000,000	Establishment	51.00%
Fumin SPD Rural Bank Co., Ltd.	Fumin, Yunnan	Fumin, Yunnan	CNY 50,000,000	Establishment	51.00%
Ningbo Haishu Rural Bank Co., Ltd.	Ningbo, Zhejiang	Ningbo, Zhejiang	CNY 100,000,000	Establishment	51.00%
Urumchi Midong SPD Rural Bank Co., Ltd.	Urumchi, Xinjiang	Urumchi, Xinjiang	CNY 100,000,000	Establishment	51.00%
Tianjin Baodi SPD Rural Bank Co., Ltd.	Baodi, Tianjin	Baodi, Tianjin	CNY 100,000,000	Establishment	51.00%
Chongqing Tongliang SPD Rural Bank Co., Ltd.	Tongliang, Chongqing	Tongliang, Chongqing	CNY 50,000,000	Establishment	51.00%
Qianxinan yilong SPD Rural Bank Co., Ltd.	Yilong, Guizhou	Yilong, Guizhou	CNY 50,000,000	Establishment	51.00%
Fufeng SPD Rural Bank Co., Ltd.	Baoji, Shaanxi	Baoji, Shaanxi	CNY 50,000,000	Establishment	51.00%

With approvals from the national financial regulatory authority and relevant market supervision authorities, SPD Silicon Valley Bank Co., Ltd. changed its name to Shanghai Innovation Bank Co., Ltd., with registered capital remaining at RMB 1 billion. Effective 2 September 2024, Shanghai Innovation Bank Co., Ltd. was included in the Group's consolidation scope, resulting in the change of accounting method for the corresponding long-term equity investments from the equity method to the cost method.

The above-mentioned subsidiaries are all non-listed companies.

(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

<i>Name of the investee</i>	<i>Note</i>	<i>Place of main business</i>	<i>Place of registration</i>	<i>Strategic investment</i>	<i>Share- holding percentage (Direct)</i>	<i>Business nature</i>
Joint ventures:						
AXA SPDB Investment Managers Co., Ltd.	(a)	Shanghai	Shanghai	Y	51%	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 Group's business segments primarily derive revenue from providing commercial banking services and investment activities, including deposit-taking and lending, bill transactions, trade finance, money market operations, and securities investments.

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

Headquarter:	Headquarters (including the direct institutions under headquarters)
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

	2024									
	<u>Headquarters</u>	<u>Yangtze River Delta</u>	<u>Pearl River Delta and West Side of Taiwan Strait</u>	<u>Bohai Rim</u>	<u>Central China</u>	<u>Western China</u>	<u>North-east China</u>	<u>Overseas and subsidiaries</u>	<u>Elimination</u>	<u>Total</u>
Interest income	118,527	90,603	27,514	33,907	21,007	26,022	8,472	21,497	(59,424)	288,125
<i>Including:</i>										
<i>External interest income</i>	106,691	61,557	23,224	24,843	20,019	25,050	6,732	20,741	(732)	288,125
<i>Internal interest income</i>	11,836	29,046	4,290	9,064	988	972	1,740	756	(58,692)	-
Interest expense	(90,399)	(57,317)	(17,949)	(20,110)	(10,702)	(14,907)	(4,747)	(16,716)	59,439	(173,408)
<i>Including:</i>										
<i>External interest expense</i>	(52,852)	(48,880)	(14,061)	(19,347)	(10,075)	(8,854)	(4,735)	(15,348)	744	(173,408)
<i>Internal interest expense</i>	(37,547)	(8,437)	(3,888)	(763)	(627)	(6,053)	(12)	(1,368)	58,695	-
Net interest income	28,128	33,286	9,565	13,797	10,305	11,115	3,725	4,781	15	114,717
Net fee and commission income / (expense)	10,206	4,997	2,422	709	744	(314)	(108)	4,161	(1)	22,816
Net trading income	20,992	914	329	402	313	440	247	(2,722)	(3)	20,912
Net gains arising from financial investments	7,503	-	-	-	-	-	-	(52)	-	7,451
Other operating income/ (expense)	76	76	15	45	27	29	(3)	5,759	(140)	5,884
Operating expenses	(20,016)	(10,257)	(3,584)	(4,686)	(3,487)	(4,650)	(1,625)	(5,975)	129	(54,151)
Impairment losses	(33,523)	(7,229)	(9,390)	(3,518)	(3,192)	(7,306)	(1,515)	(3,807)	-	(69,480)
Share of profits associates and joint ventures	155	-	-	-	-	-	-	62	-	217
Total segment profit / (loss) before tax	13,521	21,787	(643)	6,749	4,710	(686)	721	2,207	-	48,366

31 December 2024										
	<u>Headquarters</u>	<u>Yangtze River Delta</u>	<u>Pearl River Delta and West Side of Taiwan Strait</u>	<u>Bohai Rim</u>	<u>Central China</u>	<u>Western China</u>	<u>North-east China</u>	<u>Overseas and subsidiaries</u>	<u>Elimination</u>	<u>Total</u>
Loans and advances to customers	467,759	1,819,076	677,446	683,677	539,842	683,491	180,413	220,514	(3,058)	5,269,160
Investments in associate and joint ventures	1,464	-	-	-	-	-	-	343	-	1,807
Total segment assets	<u>4,859,101</u>	<u>2,879,811</u>	<u>754,997</u>	<u>1,052,634</u>	<u>607,397</u>	<u>740,412</u>	<u>280,258</u>	<u>565,939</u>	<u>(2,278,669)</u>	<u>9,461,880</u>
Deposits from customers	(69,231)	(2,345,633)	(583,455)	(855,908)	(516,853)	(511,605)	(229,798)	(117,004)	205	(5,229,282)
Total segment assets	<u>(4,176,436)</u>	<u>(2,857,950)</u>	<u>(755,618)</u>	<u>(1,046,164)</u>	<u>(602,665)</u>	<u>(741,395)</u>	<u>(280,327)</u>	<u>(535,213)</u>	<u>2,278,669</u>	<u>(8,717,099)</u>
Net position of segment assets and liabilities	<u>682,665</u>	<u>21,861</u>	<u>(621)</u>	<u>6,470</u>	<u>4,732</u>	<u>(983)</u>	<u>(69)</u>	<u>30,726</u>	<u>-</u>	<u>744,781</u>

	2023									
	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	134,215	89,228	33,607	35,024	22,552	26,518	8,349	18,555	(70,450)	297,598
<i>Including:</i>										
<i>External interest income</i>	120,161	61,110	23,118	24,075	21,122	24,469	6,503	17,040	-	297,598
<i>Internal interest income</i>	14,054	28,118	10,489	10,949	1,430	2,049	1,846	1,515	(70,450)	-
Interest expense	(98,699)	(56,081)	(24,264)	(22,433)	(11,760)	(15,652)	(5,225)	(15,507)	70,458	(179,163)
<i>Including:</i>										
<i>External interest expense</i>	(52,994)	(49,789)	(15,656)	(21,451)	(11,191)	(9,387)	(5,050)	(13,645)	-	(179,163)
<i>Internal interest expense</i>	(45,705)	(6,292)	(8,608)	(982)	(569)	(6,265)	(175)	(1,862)	70,458	-
Net interest income	35,516	33,147	9,343	12,591	10,792	10,866	3,124	3,048	8	118,435
Net fee and commission income / (expense)	12,181	4,416	2,796	944	811	(334)	(93)	3,733	(1)	24,453
Net trading income	16,099	760	325	312	187	341	25	1,540	(2)	19,587
Net gains arising from financial investments	3,644	-	-	-	-	-	-	3,478	-	7,122
Other operating income/ (expense)	126	77	93	84	24	112	5	3,488	(269)	3,740
Operating expenses	(18,144)	(11,563)	(4,226)	(5,563)	(4,020)	(4,940)	(1,891)	(5,922)	264	(56,005)
Impairment losses	(51,042)	(3,936)	(3,261)	(4,313)	(7,157)	(4,659)	706	(3,201)	-	(76,863)
Share of profits associates and joint ventures	186	-	-	-	-	-	-	37	-	223
Total segment (loss) / profit before tax	(1,434)	22,901	5,070	4,055	637	1,386	1,876	6,201	-	40,692

31 December 2023										
	<u>Headquarters</u>	<u>Yangtze River Delta</u>	<u>Pearl River Delta and West Side of Taiwan Strait</u>	<u>Bohai Rim</u>	<u>Central China</u>	<u>Western China</u>	<u>North-east China</u>	<u>Overseas and subsidiaries</u>	<u>Elimination</u>	<u>Total</u>
Loans and advances to customers	473,394	1,644,988	655,933	624,499	510,431	614,887	181,805	202,147	(3,388)	4,904,696
Investments in associate and joint ventures	2,458	-	-	-	-	-	-	367	-	2,825
Total segment assets	<u>4,862,615</u>	<u>2,648,207</u>	<u>847,115</u>	<u>1,062,367</u>	<u>574,144</u>	<u>677,805</u>	<u>249,311</u>	<u>475,107</u>	<u>(2,389,424)</u>	<u>9,007,247</u>
Deposits from customers	(85,165)	(2,189,911)	(642,747)	(841,035)	(503,646)	(475,563)	(209,478)	(113,155)	356	(5,060,344)
Total segment assets	<u>(4,192,761)</u>	<u>(2,625,461)</u>	<u>(842,033)</u>	<u>(1,058,587)</u>	<u>(573,483)</u>	<u>(676,594)</u>	<u>(248,186)</u>	<u>(446,682)</u>	<u>2,389,424</u>	<u>(8,274,363)</u>
Net position of segment assets and liabilities	<u>669,854</u>	<u>22,746</u>	<u>5,082</u>	<u>3,780</u>	<u>661</u>	<u>1,211</u>	<u>1,125</u>	<u>28,425</u>	<u>-</u>	<u>732,884</u>

V CONTINGENCIES AND COMMITMENTS

1 Credit commitments

The Group's credit commitments are listed as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Bank acceptance bills	760,672	679,362
Credit cards commitments	586,705	659,296
Letters of credit issued	277,511	261,517
Other loan commitments	246,865	300,182
Letters of guarantee issued	113,713	108,672
Total	<u>1,985,466</u>	<u>2,009,029</u>

2 Commitment on redemption of treasury saving bonds

The Group is entrusted by the MOF to underwrite certificate treasury saving bonds. The investors of these treasury saving bonds have a right to redeem the bonds in advance and the Group is committed to redeem these treasury saving bonds. The redemption price is the principal value of the saving bonds plus unpaid interest. As at 31 December 2024, the outstanding principal value of the commitment on redemption treasury saving bonds sold by the Group amounted to RMB 2,833 million (31 December 2023: RMB 4,665 million). The original maturities of these treasury saving bonds vary from three to five years. The management expects the amount of saving bonds to be eventually redeemed by the Group before the maturity date will not be material.

3 Capital commitments

As at 31 December 2024, the major capital commitments the Group had signed but not paid amounted to RMB 6,348 million (31 December 2023: RMB 10,395 million). Additionally, as at 31 December 2024, the amount of the procurement plan of operating fixed assets that the Bank's subsidiaries had signed but not paid was RMB 426 million (31 December 2023: RMB 2,324 million).

As at 31 December 2024, the major capital commitments the Group had approved but not signed amounted to RMB 1,075 million (31 December 2023: RMB 4,337 million).

4 Legal proceedings

As at 31 December 2024, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 235 and 112, respectively. The corresponding amount involved was about RMB 3,176 million and RMB 928 million, respectively, the estimated compensation amount is approximately RMB 73 million (As at 31 December 2023, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 162 and 134, respectively. The corresponding amount involved was about RMB 4,212 million and RMB 610 million, respectively, the estimated compensation amount is approximately RMB 27 million).

VI FIDUCIARY BUSINESSES

The Group provides entrusted loan business to independent third party customers. The assets arising from these businesses are not recorded on the Group's statement of financial position. As at 31 December 2024, the balance of entrusted loan business was RMB 65,111 million (As at 31 December 2023: RMB 61,420 million).

VII RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

As at 31 December 2024 and 31 December 2023 major shareholders holding more than 5% ordinary shares of the Bank are as follows:

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

2 Subsidiaries

For general information of the Group's subsidiaries, please refer to Note III. 38(1) "Interests in other entities".

3 Joint ventures and associates

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

4 Other major related parties

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

5 Transactions and balances with related parties

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

	Major <u>shareholders</u>	Joint ventures <u>and associates</u>	Other major related parties - group companies of major shareholders <u>(exclusive)</u>	Other major related parties - companies with significant influence by key management personnels and their close relatives <u>(exclusive)</u>	Other major related parties - individuals <u></u>	<u>Total</u>	Proportion of relevant transactions <u>and balances</u>
Amounts of significant transactions from 1 January 2024 to 31 December 2024 are listed below:							
Interest income	-	-	10	24	1	35	0.01%
Interest expense	(852)	(2)	(392)	(154)	(1)	(1,401)	0.81%
Fee and commission income	2	41	2	1	1	47	0.16%
Net trading gains and net gains arising from financial investments	-	(9)	-	11	-	2	0.01%
Share of profits associates and joint ventures	-	217	-	-	-	217	100.00%
Operating expenses	(11)	-	(260)	-	-	(271)	0.50%
Other comprehensive income	14	-	-	1,070	-	1,084	9.82%

	<u>Major shareholders</u>	<u>Joint ventures and associates</u>	<u>Other major related parties - group companies of major shareholders (exclusive)</u>	<u>Other major related parties - companies with significant influence by key management personnels and their close relatives (exclusive)</u>	<u>Other major related parties - individuals</u>	<u>Total</u>	<u>Proportion of relavent transactions and balances</u>
Significant item balances at 31 December 2024:							
Deposits and placements with banks and other financial institutions	-	-	-	101	-	101	0.02%
Loans and advances to customers	-	-	906	653	25	1,584	0.03%
Derivative financial assets	-	-	-	273	-	273	0.30%
Financial investments measured at:							
- Financial investments measured at FVTPL	-	-	-	1,203	-	1,203	0.17%
- Financial investments measured at amortized cost	-	-	40	121	-	161	0.01%
- Financial investments measured at FVOCI	386	-	-	2,714	-	3,100	0.39%
Investments in associates and Joint Ventures	-	1,807	-	-	-	1,807	100.00%
Other Assets	-	-	3	-	-	3	0.01%
Deposits and placements from banks and other financial institutions	-	(128)	(21,244)	(9,038)	-	(30,410)	2.49%
Derivative financial liabilities	-	-	-	(217)	-	(217)	0.28%
Deposits from customers	(35,805)	(11)	(12,807)	(6,578)	(20)	(55,221)	1.06%
Other liabilities	(1)	-	-	-	-	(78)	0.10%

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	<u>Major shareholders</u>	<u>Joint ventures and associates</u>	<u>Other major related parties - group companies of major shareholders (exclusive)</u>	<u>Other major related parties - companies with significant influence by key management personnels and their close relatives (exclusive)</u>	<u>Other major related parties - individuals</u>	<u>Total</u>	<u>Proportion of relavent transactions and balances</u>
Significant off-balance item at 31 December 2024							
Letters of guarantee issued	-	-	157	-	-	157	0.14%
Credit card and loan commitments	-	-	-	-	14	14	0.01%
Guarantees provided for credit business	-	-	906	10,919	-	11,825	0.35%
Bank acceptance bills	-	-	-	210	-	210	0.03%
Investment of funds for issuing financial products	-	-	-	145	-	145	0.01%
Notional principal of derivative financial instruments	-	-	-	24,460	-	24,460	0.26%

Note1: As at 31 December 2024, key management of the Bank possessed a total number of 684,100 shares of common stock issued by the Bank and regularly received corresponding cash dividends.

Note2: On 31 December 2024, China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank

	<u>Major shareholders</u>	<u>Joint ventures and associates</u>	<u>Other major related parties - group companies of major shareholders (exclusive)</u>	<u>Other major related parties - companies with significant influence by key management personnels and their close relatives (exclusive)</u>	<u>Other major related parties - individuals</u>	<u>Total</u>	<u>Proportion of relavent transactions and balances</u>
Amounts of significant transactions from 1 January 2023 to 31 December 2023 are listed below:							
Interest income	-	-	373	27	1	401	0.13%
Interest expense	(330)	(16)	(1,513)	(65)	(1)	(1,925)	1.07%
Fee and commission income	7	1	35	6	1	50	0.16%
Net trading gains and net gains arising from financial investments	-	137	(16)	294	-	415	1.55%
Share of profits associates and joint ventures	-	223	-	-	-	223	100.00%
Operating expenses	(11)	-	(328)	-	-	(339)	0.61%
Other comprehensive income	1	-	-	-	-	1	0.02%

	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 personnels and their close relatives (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2023:							
Deposits and placements with banks and other financial institutions	-	-	9,127	2,055	-	11,182	2.01%
Loans and advances to customers	-	-	2,438	997	17	3,452	0.07%
Derivative financial assets	-	11	48	379	-	438	0.78%
Financial investments measured at:							
- Financial investments measured at FVTPL	-	-	-	3,049	-	3,049	0.39%
- Financial investments measured at FVOCI	371	-	-	1,474	-	1,845	0.30%
Investments in associates and Joint Ventures	-	2,825	-	-	-	2,825	100.00%
Other Assets	-	-	2	-	-	2	0.01%
Deposits and placements from banks and other financial institutions	-	(1,596)	(25,092)	(4,593)	-	(31,281)	2.42%
Derivative financial liabilities	-	(19)	(28)	(279)	-	(326)	0.62%
Deposits from customers	(32,668)	(4,324)	(70,429)	(9,932)	(27)	(117,380)	2.32%
Other liabilities	(2)	-	(8)	-	-	(10)	0.02%

	Major <u>shareholders</u>	Joint ventures <u>and associates</u>	Other major related parties - group companies of major shareholders (<u>exclusive</u>)	Other major related parties - companies with significant influence by key management personnels and their close relatives (<u>exclusive</u>)	Other major related parties - <u>individuals</u>	<u>Total</u>	Proportion of relavent transactions <u>and balances</u>
Significant off-balance item at 31 December 2023							
Letters of guarantee issued	-	-	94	-	-	94	0.09%
Credit card and loan commitments	-	-	629	-	13	642	0.07%
Entrusted loan	-	-	1,338	-	-	1,338	2.18%
Guarantees provided for credit business	-	-	3,562	12,757	-	16,319	0.54%
Bank acceptance bills	-	-	457	-	-	457	0.07%
Investment of funds for issuing financial products	-	-	-	200	-	200	0.02%
Notional principal of derivative financial instruments	-	2,440	9,544	63,349	-	75,333	0.99%

Note 1: As at 31 December 2023, key management of the Bank possessed a total number of 659,600 shares of common stock issued by the Bank and regularly received corresponding cash dividends.

Note 2: On 31 December 2023, China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank

6 Related parties that are controlled by the Bank

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

Balances at the year end:	<u>31 December 2024</u>	<u>31 December 2023</u>
Deposits and placements with banks and other financial institutions	8,325	9,474
Loans and advances to customers	3,058	3,388
Financial investment measured at FVOCI	-	1
Deposits and placements from banks and other financial institutions	12,529	11,055
Derivative financial assets	11	-
Derivative financial liabilities	96	8
Deposits from customers	205	356
Others	52	86
Transactions during the year:	<u>2024</u>	<u>2023</u>
Interest income from deposits and placements from banks and other financial institutions	284	207
Net trading loss	-	(8)
Interest income from loans and advances to customers	165	140
Interest income from financial investment measured at FVOCI	-	8
Interest expenses on deposits from banks and other financial institutions	294	281
Interest expenses on deposits from customers	-	8
Fee and commission income	61	83
Fee and commission expense	69	43
Other operating net income	4	4
Operating expenses	127	257

7 Compensation of key management personnel

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

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

	<u>2024</u>	<u>2023</u>
Compensation of key management personnel	<u>14</u>	<u>20</u>

The Compensation of key management personnel are remuneration without social insurance paid in 2024 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.

8 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.

9 Major credit related transactions to related parties

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

In 2024, the newly added major credited related transactions between the Bank and related parties outside the Group are as follows:

<u>Related Parties</u>	<u>Total credit limit to related parties and other companies in their group</u>
Guotai Junan Securities Co., Ltd.	35,740
Shanghai International Group Co., Ltd.	33,140
China Mobile Communications Group Co., Ltd.	9,000

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

VIII FINANCIAL RISK MANAGEMENT

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

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

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

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

1 Credit risk

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

(1) Credit risk management

(i) Loans

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

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

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

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

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

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

<u>Collaterals or pledged assets</u>	<u>Maximum loan-to-value ratio</u>
Time deposits	90% - 100%
Government bonds	90% - 100%
Financial bonds	90% - 100%
Corporate bonds (including financial institutions)	80%
Right to collect fees	60% - 70%
Franchise right	50%
Commercial property and standard plant	60%
Residential property	70%
Land use right	50% - 60%

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

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

(ii) Bonds and other bills

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

(iii) Other financial assets measured at amortized cost

Other financial assets measured at amortized cost mainly include trust and asset management plans. The Group has rating access system on the trust companies, security companies and fund companies with the set credit facility for ultimate investors of trust plans and asset management plans, and performs post-risk management periodically. The Bank set limit management for the final financing of the Trust and asset management plans for the proprietary investments, and conducts regular follow-up risk management.

(iv) Inter-bank transactions

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

(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 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

To ensure the Group's current financial asset risk classification mechanism complies with the "Rules on Risk Classification of Financial Assets of Commercial Banks" (Order No. 1 [2023] of the China Banking and Insurance Regulatory Commission and People's Bank of China, hereafter referred to as the "Rules"), the Group implements dynamic, real-time adjustments to the financial asset risk classifications with quarterly reviews as the minimum frequency. During the reporting period, the Group classified the relevant financial assets into five categories, including: pass, special-mention, substandard, doubtful and loss, among which credit assets with the grading of substandard, doubtful and loss are regarded as non-performing loans

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

(3) ECL measurement

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

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

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

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

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

Credit risk grading

The Group has established a comprehensive internal rating system in accordance with the "Measures for the Capital Management of Commercial Banks", employing statistical models, expert judgement, or a combination of both approaches, along with standardized and uniform evaluation and criteria. This system includes internal rating frameworks for sovereign, financial institution, and corporate risk exposures (i.e., non-retail risk exposures), as well as a risk-pooling system for retail risk exposures. Through investigation, analysis and judgement of the Bank's credit customers' or retail debt obligations' solvency and performance ability, the Bank achieves internal estimation of probability of default and qualification of credit risk.

The Group has no financial assets recognized as "low risk" and subject to credit risk management in accordance with the relevant requirements of the Accounting Standards.

Stage division

Significant increase in credit risk ("SICR")

The Group assesses on each reporting 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 assesses whether credit risk has significantly increased for corporate loans and financial investments by evaluating changes in counterparties' credit ratings from the initial recognition date to the reporting date. Specifically, the Group considers whether these ratings have declined to Grade B or lower. For personal loans, the Group determines a significant increase in credit risk by comparing the probability of default (PD) on the reporting date against threshold values or the initial PD levels. This assessment includes identifying if the PD has risen to 8-14 times the initial PD.

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

In alignment with the “Measures for the Capital Management of Commercial Banks”, the Group has established unified internal policies for default management – precisely defining default events, standardizing identification protocols, and ensuring consistent enforcement across all business lines. The Group defines a financial asset as credit impaired when it meets one or more of the following criteria:

Qualitative criteria:

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

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

Upper limit:

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

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

Grouping of credit risk exposure

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

Explanation of parameters, assumptions and estimation techniques of ECL model

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

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

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

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

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

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

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

Forward-looking information incorporated in the ECL model

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

The Group has selected a series of macroeconomic indicators based on industry best practices and the Group's internal experts' judgement, and has formed forecasts of macroeconomic indicators under multiple scenarios such as standard, optimistic and pessimistic. The Group also establishes statistical relationship between actual PD, LGD and macro indicators for each model exposure, and calculates the actual PD and LGD by using forecasted economic indicators.

The number and attributes of scenarios are reassessed at each reporting date. The scenario weightings are determined by combination of statistical analysis and expert judgement, taking into account of the range of possible outcomes represented by scenarios. 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).

Macroeconomic information used by the Group includes macro indicators such as gross domestic product (GDP), consumer price index (CPI) and producer price index (PPI). The GDP year-on-year growth rate for 2025 under the standard scenario is 4.50%, and the GDP year-on-year growth rate for 2025 under the optimistic and pessimistic scenarios are formed by adjusting upward and downward by a certain level, respectively, from the standard scenario projections.

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

Combination method for evaluation of expected credit risk

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

Corporate loans and financial investments

- Industry
- Collateral type

Retail loans

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

Assessment of ECLs on other receivables

The Group measures its loss provision for other receivables that meet relevant requirements at an amount equivalent to the ECL over the entire period of existence. The Group uses the ECL model to calculate the ECLs on the above financial assets based on the historical credit loss experience, and the related methodology is the same as the "ECL measurement" in this section.

(4) Maximum exposure to credit risk

Financial assets and guarantee commitment subject to impairment

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

	31 December 2024			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
Cash and deposits with central bank	405,815	-	-	405,815
Deposits and placements with banks and other financial institutions	524,559	-	-	524,559
Financial assets purchased under resale agreements	63,879	-	-	63,879
Loans and advances to customers measured at				
- Amortized cost	4,695,922	216,456	22,237	4,934,615
- FVOCI	330,515	479	18	331,012
Financial investments measured at				
- Amortized cost	1,262,375	24,787	39,476	1,326,638
- FVOCI	778,694	2,136	1,608	782,438
Other financial assets	95,957	645	2,270	98,872
Total	8,157,716	244,503	65,609	8,467,828

	31 December 2023			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
Cash and deposits with central bank	530,798	-	-	530,798
Deposits and placements with banks and other financial institutions	529,700	-	-	529,700
Financial assets purchased under resale agreements	44,719	-	-	44,719
Loans and advances to customers measured at				
- Amortized cost	4,314,830	178,093	33,241	4,526,164
- FVOCI	367,765	2,965	18	370,748
Financial investments measured at				
- Amortized cost	1,189,091	25,646	56,345	1,271,082
- FVOCI	614,041	1,497	2,479	618,017
Other financial assets	58,330	137	3,313	61,780
Total	7,649,274	208,338	95,396	7,953,008

	31 December 2024	31 December 2023
	Maximum exposure to credit risk	Maximum exposure to credit risk
Commitment and guarantee:		
Bank acceptance notes	758,120	678,155
Credit cards commitments	583,169	654,332
Letters of credit issued	277,356	261,413
Other loan commitments	245,579	298,859
Letters of guarantee issued	113,509	108,544
Total	1,977,733	2,001,303

Financial assets not included in impairment assessment

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

	31 December 2024	31 December 2023
	Maximum exposure to credit risk	Maximum exposure to credit risk
Financial investments measured at FVTPL	691,019	780,226
Derivative financial assets	89,590	56,311
Loans and advances to customers	3,533	7,784
Total	784,142	844,321

(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 2024, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 92,537 million (31 December 2023: RMB 101,538 million), in which the loans covered by collaterals are amounting to RMB 52,847 million (31 December 2023: RMB 51,023 million).

(6) Restructured loans

According to the Rules, restructured loans refer to loans where the Group modifies the original loan contract terms to accommodate borrowers experiencing financial difficulties or provides refinancing for existing loans to urge the borrowers to repay the debt, including new loans to refinance existing debts and additional financing. As at 31 December 2024, the Group's restructured loans balance meeting the Rules effective requirements and involving renegotiated written contract terms amounted to RMB 36,932 million.

(7) Bonds and other investments

The table below analyses the Group's investment securities by major rating agencies in the countries where Standard&Poor's or the bond issuing institution is located.

31 December 2024				
	Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
Medium or long term				
AAA	23,561	514,560	347,409	885,530
AA+ to AA-	1,908	5,268	30,429	37,605
A+ to A-	1,578	8,447	34,545	44,570
Below A-	3,025	787	17,714	21,526
Short term				
AAA	12	10,959	396	11,367
AA+ to AA-	182	106	4,113	4,401
A and below A	318	2,666	10,322	13,306
Unrated-Bonds	70,482	783,845	337,510	1,191,837
Total	101,066	1,326,638	782,438	2,210,142

31 December 2023				
	Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
Medium or long term				
AAA	17,800	557,419	192,382	767,601
AA+ to AA-	29	5,276	18,598	23,903
A+ to A-	259	1,658	17,586	19,503
Below A-	14	6,549	33,220	39,783
Short term				
AAA	1,501	12,482	2,986	16,969
AA+ to AA-	383	155	2,746	3,284
A and below A	1,588	1,396	22,233	25,217
Unrated-Bonds	213,564	686,147	328,266	1,227,977
Total	235,138	1,271,082	618,017	2,124,237

2 Market risk

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

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

Meanwhile, the Group's market risk management follows the principle of combining internal control with external supervision. Relevant business units are responsible for executing the daily control activities, together with the market risk management department, compliance department, and review department, form the three lines of defense for market risk management.

The Group measures market risk based on established standards and current management capabilities. The major measurement approaches include stress testing, gap analysis and sensitivity analysis etc. The market risk of new products and businesses should be identified before these new products and businesses are launched according to relevant policies.

(1) Currency risk

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

	31 December 2024				
	<u>RMB</u>	<u>USD</u> Into RMB	<u>HKD</u> Into RMB	<u>Others</u> Into RMB	<u>Total</u> Into RMB
Cash and deposits with central bank	401,765	1,232	8,174	368	411,539
Deposits and placements with banks and other financial institutions	426,500	84,545	2,221	11,293	524,559
Derivative financial assets	84,145	5,390	49	6	89,590
Financial assets purchased under resale agreements	57,932	5,947	-	-	63,879
Loans and advances to customers	5,131,927	97,930	22,820	16,483	5,269,160
Financial investments measured at:					
- FVTPL	676,922	13,401	194	502	691,019
- Amortized cost	1,302,636	21,720	-	2,282	1,326,638
- FVOCI	665,908	117,119	4,404	4,036	791,467
Other financial assets	80,253	18,089	305	225	98,872
Total financial assets	<u>8,827,988</u>	<u>365,373</u>	<u>38,167</u>	<u>35,195</u>	<u>9,266,723</u>
Borrowing from central bank	118,442	-	-	-	118,442
Deposits and placements from banks and other financial institutions	930,771	188,358	23,022	11,790	1,153,941
Financial liabilities measured at FVTPL	21,604	11,568	-	-	33,172
Derivative financial liabilities	75,121	3,396	54	4	78,575
Financial assets sold under repurchase agreement	485,607	18,586	-	1,769	505,962
Deposits from customers	4,992,970	214,767	9,642	11,903	5,229,282
Debt securities issued	1,393,136	23,038	3,115	683	1,419,972
Lease Liabilities	5,239	43	714	17	6,013
Other financial liabilities	53,604	2,708	224	178	56,714
Total financial liabilities	<u>8,076,494</u>	<u>462,464</u>	<u>36,771</u>	<u>26,344</u>	<u>8,602,073</u>
Net position of financial instruments	<u>751,494</u>	<u>(97,091)</u>	<u>1,396</u>	<u>8,851</u>	<u>664,650</u>
Currency derivatives	<u>(57,932)</u>	<u>72,424</u>	<u>(1,118)</u>	<u>1,905</u>	<u>15,279</u>
Credit commitments	<u>1,923,149</u>	<u>43,956</u>	<u>5,644</u>	<u>4,984</u>	<u>1,977,733</u>

	31 December 2023				
	<u>RMB</u>	<u>USD</u> Into RMB	<u>HKD</u> Into RMB	<u>Others</u> Into RMB	<u>Total</u> Into RMB
Cash and deposits with central bank	496,759	39,332	705	335	537,131
Deposits and placements with banks and other financial institutions	432,315	79,407	3,841	14,137	529,700
Derivative financial assets	53,257	3,020	9	25	56,311
Financial assets purchased under resale agreements	34,151	10,568	-	-	44,719
Loans and advances to customers	4,743,406	115,548	29,967	15,775	4,904,696
Financial investments:					
- FVTPL	771,404	8,811	-	11	780,226
- Amortized cost	1,255,468	14,776	691	147	1,271,082
- FVOCI	503,395	111,498	4,580	5,274	624,747
Other financial assets	55,857	4,652	1,268	3	61,780
Total financial assets	<u>8,346,012</u>	<u>387,612</u>	<u>41,061</u>	<u>35,707</u>	<u>8,810,392</u>
Borrowing from central bank	235,242	-	-	-	235,242
Deposits and placements from banks and other financial institutions	1,162,938	94,148	16,818	12,592	1,286,496
Financial liabilities measured at FVTPL	10,207	-	-	-	10,207
Derivative financial liabilities	50,979	1,299	9	6	52,293
Financial assets sold under repurchase agreement	502,717	16,338	-	729	519,784
Deposits from customers	4,811,052	228,368	16,448	4,476	5,060,344
Debt securities issued	986,427	23,200	1,939	87	1,011,653
Lease Liabilities	5,888	3	914	66	6,871
Other financial liabilities	27,199	2,258	502	1,282	31,241
Total financial liabilities	<u>7,792,649</u>	<u>365,614</u>	<u>36,630</u>	<u>19,238</u>	<u>8,214,131</u>
Net position of financial instruments	<u>553,363</u>	<u>21,998</u>	<u>4,431</u>	<u>16,469</u>	<u>596,261</u>
Currency derivatives	<u>25,055</u>	<u>(16,115)</u>	<u>(761)</u>	<u>(11,567)</u>	<u>(3,388)</u>
Credit commitments	<u>1,955,729</u>	<u>34,139</u>	<u>6,134</u>	<u>5,301</u>	<u>2,001,303</u>

The Group employs sensitivity analysis to measure possible impacts of changes in exchange rates on the Group's net profits. The following table presents the results of foreign exchange sensitivity analysis performed on financial assets and financial liabilities as at the reporting date using prevailing exchange rates.

Net profit	31 December 2024		31 December 2023	
	Exchange rate fluctuation		Exchange rate fluctuation	
(Decrease) / Increase	-1%	1%	-1%	1%
USD against RMB	185	(185)	(44)	44
Other currencies against RMB	(83)	83	(64)	64

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 when other factors remain constant. 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) of each currency against the RMB on the 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 in the banking book and trading book.

Interest rate risk of bank book refers to the risk that adverse changes in interest rate level and term structure will lead to loss of economic value and overall income of bank book. The Group has established a sound interest rate risk management system for banking books. The Board of Directors of the Bank is responsible for approving the interest rate risk appetite and material policies and procedures in the banking books, and bears the ultimate responsibility for managing the interest rate risk in the banking books. The senior management of the bank is responsible for developing the appropriate management mechanism for interest rate risk in the banking book, the organizational structure, systems and processes in accordance with the risk appetites for interest rate risk in the banking book approved by the Board of Directors to ensure the achievement of management objectives. The Bank's Asset-Liability Management Committee formulates policies and strategies for interest rate risks in the banking book management. The Asset-Liability and Financial Management Department leads the daily processes of risk identification, measurement, monitoring, control, and mitigation. The Risk Management Department of the Bank independently validates the interest rate risks in the banking book models, while the Audit Department of the Bank conducts internal audits of the interest rate risks in the banking book management.

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

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

	31 December 2024					Non-interest bearing	Total
	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>		
Assets							
Cash and deposits with central bank	395,188	-	-	-	-	16,351	411,539
Deposits and placements with banks and other financial institutions	157,948	116,755	230,838	14,063	-	4,955	524,559
Derivative financial assets	-	-	-	-	-	89,590	89,590
Financial assets purchased under resale agreements	18	62,474	657	730	-	-	63,879
Loans and advances to customers	820,522	492,198	1,992,188	1,328,397	620,799	15,056	5,269,160
Financial investments measured at:							
- FVTPL	9,694	11,353	27,600	30,926	23,111	588,335	691,019
- Amortized cost	33,145	34,984	151,053	449,268	639,845	18,343	1,326,638
- FVOCI	5,987	29,534	102,482	379,221	257,251	16,992	791,467
Other financial assets	3,953	-	42,866	-	-	52,053	98,872
Total financial assets	<u>1,426,455</u>	<u>747,298</u>	<u>2,547,684</u>	<u>2,202,605</u>	<u>1,541,006</u>	<u>801,675</u>	<u>9,266,723</u>
Liabilities							
Borrowing from central bank	20,527	33,128	63,346	-	-	1,441	118,442
Deposits and placements from banks and other financial institutions	904,574	123,362	104,714	9,386	6,008	5,897	1,153,941
Financial liabilities measured at FVTPL	-	-	-	-	-	33,172	33,172
Derivative financial liabilities	-	-	-	-	-	78,575	78,575
Financial assets sold under repurchase agreements	434,845	48,739	22,184	-	-	194	505,962
Deposits from customers	2,487,241	547,553	1,035,142	1,076,023	-	83,323	5,229,282
Debt securities issued	120,265	244,524	795,214	94,690	159,273	6,006	1,419,972
Lease Liabilities	256	665	1,827	3,199	66	-	6,013
Other financial liabilities	1,153	1,916	923	-	-	52,722	56,714
Total financial liabilities	<u>3,968,861</u>	<u>999,887</u>	<u>2,023,350</u>	<u>1,183,298</u>	<u>165,347</u>	<u>261,330</u>	<u>8,602,073</u>
Total interest repricing gap	<u>(2,542,406)</u>	<u>(252,589)</u>	<u>524,334</u>	<u>1,019,307</u>	<u>1,375,659</u>	<u>540,345</u>	<u>664,650</u>

	31 December 2023					Non-interest bearing	Total
	<u>Within 1 month</u>	<u>1 to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>		
Assets							
Cash and deposits with central bank	524,207	-	-	-	-	12,924	537,131
Deposits and placements with banks and other financial institutions	142,945	85,660	265,578	30,727	-	4,790	529,700
Derivative financial assets	-	-	-	-	-	56,311	56,311
Financial assets purchased under resale agreements	38,376	5,913	354	-	-	76	44,719
Loans and advances to customers	1,049,042	839,142	2,109,744	784,271	107,131	15,366	4,904,696
Financial investments measured at:							
- FVTPL	14,925	16,307	44,281	32,693	13,855	658,165	780,226
- Amortized cost	109,745	37,224	104,277	449,164	552,955	17,717	1,271,082
- FVOCI	11,889	24,925	108,668	332,444	132,652	14,169	624,747
Other financial assets	3,628	-	21,448	-	-	36,704	61,780
Total financial assets	<u>1,894,757</u>	<u>1,009,171</u>	<u>2,654,350</u>	<u>1,629,299</u>	<u>806,593</u>	<u>816,222</u>	<u>8,810,392</u>
Liabilities							
Borrowing from central bank	11,931	43,220	177,947	-	-	2,144	235,242
Deposits and placements from banks and other financial institutions	983,507	119,712	165,830	7,039	5,246	5,162	1,286,496
Financial liabilities measured at FVTPL	-	-	-	-	-	10,207	10,207
Derivative financial liabilities	-	-	-	-	-	52,293	52,293
Financial assets sold under repurchase agreements	427,039	29,481	63,009	-	-	255	519,784
Deposits from customers	2,886,979	437,437	737,225	922,981	8	75,714	5,060,344
Debt securities issued	42,718	221,995	483,405	176,795	81,079	5,661	1,011,653
Lease Liabilities	319	438	1,938	3,977	199	-	6,871
Other financial liabilities	408	1,526	1,916	-	-	27,391	31,241
Total financial liabilities	<u>4,352,901</u>	<u>853,809</u>	<u>1,631,270</u>	<u>1,110,792</u>	<u>86,532</u>	<u>178,827</u>	<u>8,214,131</u>
Total interest repricing gap	<u>(2,458,144)</u>	<u>155,362</u>	<u>1,023,080</u>	<u>518,507</u>	<u>720,061</u>	<u>637,395</u>	<u>596,261</u>

Note: The above financial assets listed as within one month include overdue amounts as at 31 December 2024 and 31 December 2023 (excluding impairment provisions).

The Group performs sensitivity analysis to measure the potential impact of changes in interest rate on net profit and equity. The following table presents the results of interest rate sensitivity analysis conducted on assets and liabilities as at the reporting date.

	31 December 2024		31 December 2023	
	Interest rate fluctuation (Basis points)		Interest rate fluctuation (Basis points)	
	-100	+100	-100	+100
(Decrease) / increase in net profit	(3,312)	3,312	2,454	(2,454)
Increase / (decrease) in other comprehensive income under equity	8,213	(7,703)	13,036	(12,292)

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

- Except for current deposits, assets and liabilities, whose maturity dates are within three months or more than three months but will be repricing within one year, are assumed to be re-priced or matured 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 asset and liability portfolios.

Based on the assumptions, the actual change in net profit caused by changes in interest rates may be different from the sensitivity analysis results.

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

3 Liquidity risk

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

The Group has established a relatively complete liquidity risk governance system. The senior management of the Bank is responsible for developing appropriate liquidity risk management mechanisms, organisational structures, systems and processes, risk limits, key assumptions for stress test, and emergency plans based on the liquidity risk appetite approved by the board of directors, to ensure the Bank achieves its management objectives. The Asset and Liability Management Committee of the Bank is responsible for reviewing liquidity risk management strategies, risk limits, key assumptions for stress test, etc. The Asset-Liability and Financial Management Department of the Headquarters of the Bank is responsible for drafting liquidity risk management policies and procedures at a group level and leading specific management of the liquidity risk management, such as qualitative and quantitative analysis. Audit Department of the the Headquarters of the Bank is responsible for the internal audit on liquidity risks. The Group has a prudent liquidity risk preference which complies with the regulatory requirements and management requirements of the Group.

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

During the Reporting Period, the Group implemented forward-looking and proactive management of liquidity risk at different levels in accordance with the requirements of the balance in the total amount and structure; it carries out real-time monitoring on daily position accounts in local and foreign currencies, and made centralised allocation of positions in local and foreign currencies; it established a beforehand declaration system for large-amount positions, and established a monitoring mechanism for total liquidity level; it prepared a cash flow gap table on a daily basis, used the gap management method to predict cash flow gap changes in future assets and liabilities's on and off-balance sheet items, and conducted liquidity risk assessments on both internal and external items of the statement of financial position in a timely manner, and in accordance with the liquidity risk policy and risk limit requirements of the Group, adjust the total amount, structure, and pace of the Group's business development to meet the requirements of liquidity safety through active financing arrangements and asset liability portfolio adjustments.

The following table presents the contractual undiscounted cash flows of the Group's non-derivative financial assets and non-derivative financial liabilities by remaining maturity. The actual remaining maturities of these financial instruments may differ materially from the analysis presented below. For instance, while demand deposits are classified as repayable on demand in the table, they are expected to maintain stable or even growing balances.

	31 December 2024								
	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets									
Cash and deposits with central bank	112,755	-	-	-	-	-	-	298,784	411,539
Deposits and placements with banks and other financial institutions	66,153	95,333	127,627	255,729	35,056	-	-	-	579,898
Financial assets purchased under resale agreements	-	62,616	676	758	-	-	-	-	64,050
Loans and advances to customers	-	770,144	444,330	1,540,511	1,544,195	1,587,159	110,896	-	5,997,235
Financial investments measured at:									
- FVTPL	564,849	1,930	12,136	30,272	35,520	25,010	2,715	26,524	698,956
- Amortized cost	-	25,609	42,381	182,394	571,848	741,828	28,683	-	1,592,743
- FVOCI	-	7,145	32,412	117,902	426,311	268,119	4,498	9,029	865,416
Other financial assets	55,136	-	-	-	-	-	8,524	42,953	106,613
Total financial assets	<u>798,893</u>	<u>962,777</u>	<u>659,562</u>	<u>2,127,566</u>	<u>2,612,930</u>	<u>2,622,116</u>	<u>155,316</u>	<u>377,290</u>	<u>10,316,450</u>
Liabilities									
Borrowing from central bank	-	21,043	33,942	64,624	-	-	-	-	119,609
Deposits and placements from banks and other financial institutions	748,206	160,927	125,346	108,473	10,613	7,933	-	-	1,161,498
Financial liabilities measured at FVTPL	5,185	2,543	24,826	-	-	618	-	-	33,172
Financial assets sold under repurchase agreements	-	436,126	49,055	22,352	-	-	-	-	507,533
Deposits from customers	2,066,194	438,856	564,614	1,083,600	1,219,231	-	-	-	5,372,495
Debt securities issued	-	122,383	249,650	802,894	120,355	283,483	-	-	1,578,765
Lease Liabilities	-	256	411	1,863	3,705	83	-	-	6,318
Other financial liabilities	53,268	661	2,143	1,587	1,042	515	-	-	59,216
Total financial liabilities	<u>2,872,853</u>	<u>1,182,795</u>	<u>1,049,987</u>	<u>2,085,393</u>	<u>1,354,946</u>	<u>292,632</u>	<u>-</u>	<u>-</u>	<u>8,838,606</u>
Net liquidity	<u>(2,073,960)</u>	<u>(220,018)</u>	<u>(390,425)</u>	<u>42,173</u>	<u>1,257,984</u>	<u>2,329,484</u>	<u>155,316</u>	<u>377,290</u>	<u>1,477,844</u>
Derivative financial instruments									
- Inflow	-	116,374	104,859	321,413	88,596	38	-	-	631,280
- Outflow	-	122,416	104,775	314,133	91,184	48	-	-	632,556
Net value of derivative financial instruments	<u>-</u>	<u>(6,042)</u>	<u>84</u>	<u>7,280</u>	<u>(2,588)</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(1,276)</u>
Credit commitments	609,984	187,655	305,753	620,412	86,599	175,063	-	-	1,985,466

	31 December 2023								
	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets									
Cash and deposits with central bank	212,708	-	165	-	-	-	-	324,258	537,131
Deposits and placements with banks and other financial institutions	66,363	78,809	87,194	272,309	32,432	-	-	-	537,107
Financial assets purchased under resale agreements	-	38,466	5,990	360	-	-	-	-	44,816
Loans and advances to customers	-	526,570	651,953	1,450,912	1,439,459	1,439,010	101,327	-	5,609,231
Financial investments measured at:									
- FVTPL	634,663	8,164	22,548	46,655	35,031	15,790	3,026	21,925	787,802
- Amortized cost	-	54,230	43,127	129,695	554,973	665,505	83,533	-	1,531,063
- FVOCI	-	12,902	27,883	125,609	374,256	144,568	183	6,730	692,131
Other financial assets	40,387	-	-	-	-	-	7,689	21,483	69,559
Total financial assets	954,121	719,141	838,860	2,025,540	2,436,151	2,264,873	195,758	374,396	9,808,840
Liabilities									
Borrowing from central bank	-	12,245	44,293	181,295	-	-	-	-	237,833
Deposits and placements from banks and other financial institutions	791,484	194,355	121,504	169,652	7,886	7,312	-	-	1,292,193
Financial liabilities measured at FVTPL	1,780	-	-	849	4,352	3,226	-	-	10,207
Financial assets sold under repurchase agreements	-	427,181	29,600	63,415	-	-	-	-	520,196
Deposits from customers	2,210,213	709,106	452,075	772,045	1,047,980	10	-	-	5,191,429
Debt securities issued	-	56,067	227,407	488,500	246,928	91,736	-	-	1,110,638
Lease Liabilities	-	319	441	1,967	4,285	252	-	-	7,264
Other financial liabilities	26,393	94	1,768	2,354	1,285	831	-	-	32,725
Total financial liabilities	3,029,870	1,399,367	877,088	1,680,077	1,312,716	103,367	-	-	8,402,485
Net liquidity	(2,075,749)	(680,226)	(38,228)	345,463	1,123,435	2,161,506	195,758	374,396	1,406,355
Derivative financial instruments									
- Inflow	-	147,599	118,700	197,506	42,847	47	-	-	506,699
- Outflow	-	147,392	117,101	197,523	42,119	75	-	-	504,210
Net value of derivative financial instruments	-	207	1,599	(17)	728	(28)	-	-	2,489
Credit commitments	672,462	147,386	293,865	582,519	89,347	223,450	-	-	2,009,029

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 the financial statement date are listed in the following table.

31 December 2024					
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial investment measured at amortized cost	1,326,638	15,650	1,256,618	109,788	1,382,056
Financial liabilities:					
Debt securities issued	1,419,972	54,497	1,375,798	-	1,430,295
31 December 2023					
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial investment measured at amortized cost	1,271,082	-	995,423	367,242	1,362,665
Financial liabilities:					
Debt securities issued	1,011,653	-	1,008,697	-	1,008,697

(i) Financial investment measured at amortized cost

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

(ii) Debt securities issued

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

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

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

The Group's assets and liabilities measured at fair value on a recurring basis are presented in the following three levels:

	31 December 2024			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	482,620	712	2,149	485,481
- Bonds	3,411	63,974	1,156	68,541
- Equity	1,748	-	15,520	17,268
- Beneficiary certificates	-	11,913	-	11,913
- Trust and asset management plans	-	8,672	1,139	9,811
- Interbank Certificates of Deposit	-	8,579	-	8,579
- ABS	-	2,216	6	2,222
- Other investment	79,841	2,154	5,209	87,204
Financial investments measured at FVOCI				
- Bonds	71,814	652,053	-	723,867
- Interbank Certificates of Deposit	2,308	29,113	-	31,421
- ABS	540	19,120	-	19,660
- Repossessed equity instruments	1	-	1,405	1,406
- Trust and asset management plans	-	-	16	16
- Other equity investments	251	-	7,372	7,623
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	321,964	-	321,964
- Corporate loans and advances	-	9,048	-	9,048
FVTPL				
- Corporate loans and advances	-	2,683	-	2,683
- Discounted bills	-	850	-	850
Derivative financial assets	-	89,590	-	89,590
Total financial assets	642,534	1,222,641	33,972	1,899,147
Derivative financial liabilities	-	78,575	-	78,575
Financial liabilities measured at FVTPL				
- Financial liabilities associated with bonds	805	23,982	-	24,787
- Financial liabilities related to precious metals	-	5,185	-	5,185
- Interest of other unit holders in consolidated structured entities	-	2,582	618	3,200
Deposits from customers	-	5,222	-	5,222
Total financial liabilities	805	115,546	618	116,969

	31 December 2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial investments:				
Financial investments measured at FVTPL				
- Fund	433,741	643	222	434,606
- Bonds	29	99,269	1,096	100,394
- Beneficiary certificates	-	39,723	-	39,723
- Equity	2,904	-	14,425	17,329
- Trust and asset management plans	-	10,563	4,238	14,801
- Interbank Certificates of Deposit	-	3,303	-	3,303
- ABS	-	2,210	80	2,290
- Other investment	80,614	75,879	11,287	167,780
Financial investments measured at FVOCI				
- Bonds	55,775	515,043	-	570,818
- Interbank Certificates of Deposit	-	33,438	-	33,438
- ABS	-	6,302	-	6,302
- Repossessed equity instruments	1	-	1,565	1,566
- Trust and asset management plans	-	-	20	20
- Other equity investments	-	-	5,164	5,164
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	308,160	-	308,160
- Corporate loans and advances	-	62,588	-	62,588
FVTPL				
- Discounted bills	-	5,662	-	5,662
- Corporate loans and advances	-	2,122	-	2,122
Derivative financial assets	-	56,311	-	56,311
Total financial assets	<u>573,064</u>	<u>1,221,216</u>	<u>38,097</u>	<u>1,832,377</u>
Derivative financial liabilities	-	52,293	-	52,293
Financial liabilities measured at FVTPL				
- Financial liabilities associated with bonds	7,750	-	-	7,750
- Interest of other unit holders in consolidated structured entities	1,661	119	558	2,338
- Financial liabilities related to precious metals	119	-	-	119
Total financial liabilities	<u>9,530</u>	<u>52,412</u>	<u>558</u>	<u>62,500</u>

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

(i) Level 2 Financial Instruments

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

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

(ii) Level 3 Financial Instruments

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

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial liabilities measured at FVTPL	Total
1 January 2024	31,348	6,749	(558)	37,539
Additions	1,505	251	-	1,756
Disposals and settlements	(7,762)	(4)	59	(7,707)
Total gains / (losses) recorded in profit or loss	88	-	(119)	(31)
Total gains recorded in other comprehensive income	-	1,797	-	1,797
31 December 2024	25,179	8,793	(618)	33,354
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2024 for the positions held at 31 December 2024	(1,024)	-	(32)	(1,056)

	Financial investments measured at <u>FVTPL</u>	Financial investments measured at <u>FVOCI</u>	Financial liabilities measured at <u>FVTPL</u>	<u>Total</u>
1 January 2023	30,515	7,668	(474)	37,709
Additions	14,003	20	(508)	13,515
Disposals and settlements	(12,661)	-	493	(12,168)
Total losses recorded in profit or loss	(509)	-	(69)	(578)
Total losses recorded in other comprehensive income	-	(939)	-	(939)
31 December 2023	<u>31,348</u>	<u>6,749</u>	<u>(558)</u>	<u>37,539</u>
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2023 for the positions held at 31 December 2023	<u>(1,367)</u>	<u>-</u>	<u>(34)</u>	<u>(1,401)</u>

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

<u>31 December 2024</u>	<u>Fair value</u>	<u>Valuation method</u>	<u>Unobservable inputs</u>
Financial investments:			
Financial investments measured at FVTPL			
- Fund	2,149	Refer to recent transactions	Liquidity discount
- Bonds	1,156	Income approach	Discount rate
- Trust and asset management plan	1,139	Income approach	Discount rate
		Net Asset Based	
- Equity	13,716	Method	Discount rate
		Refer to recent transactions	Liquidity discount
	1,575		P/B ratio
		Refer to recent transactions	Liquidity discount
	229		P/S ratio
- ABS	6	Income approach	Discount rate
- Other investment	5,209	Refer to recent transactions	Liquidity discount
	<u>25,179</u>		
Financial investments measured at FVOCI			
- Trust and asset management plan	16	Income approach	Discount rate
- Repossessed equity instruments			Liquidity discount
	953	Refer to recent transactions	P/B ratio
		Net Asset Based	Liquidity discount
	448	Method	
		Discounted cash flow method	Discount rate
- Other equity investments	4	Net Asset Based	Liquidity discount
	5,378	Method	Liquidity discount
		Refer to recent transactions	P/B ratio
	1,874		Discount rate
	120	Income approach	
	<u>8,793</u>		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	618	Note 1	Note 1

<u>31 December 2023</u>	<u>Fair value</u>	<u>Valuation method</u>	<u>Unobservable inputs</u>
Financial investments:			
Financial investments measured at FVTPL			
- Fund	222	Refer to recent transactions	Liquidity discount
- Bonds	1,096	Income approach	Discount rate
- Trust and asset management plan	4,238	Income approach	Discount rate
- Equity	11,895	Income approach	Discount rate
	2,530	Refer to recent transactions	Liquidity discount
- ABS	80	Income approach	Discount rate
		Refer to recent transactions	Liquidity discount
- Other investment	11,287		
	<u>31,348</u>		
Financial investments measured at FVOCI			
- Trust and asset management plans	20	Income approach	Discount rate
- Repossessed equity instruments			Liquidity discount
	1,104	Market approach	P/B ratio
	457	Net Asset Based Method	Liquidity discount
	4	Discounted cash flow method	Discount rate
- Other equity investments		Net Asset Based Method	Liquidity discount
	4,093		Liquidity discount
	956	Market approach	P/B ratio
	115	Income approach	Discount rate
	<u>6,749</u>		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	<u>558</u>	Note 1	Note 1

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 relevant requirements of the Accounting Standards, the Group did not offset these financial assets and financial liabilities.

As at 31 December 2024, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

6 Capital management

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

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

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

As at 31 December 2024, commercial banks in China should meet the minimum requirements for capital adequacy ratio set out in the Administrative Measures on the Capital of Commercial Banks which required the capital adequacy ratio of core tier 1 capital shall not be less than 7.5%, capital adequacy ratio of tier 1 capital shall not be less than 8.5% and capital adequacy ratio shall not be less than 10.5%.

In addition, the PBOC and related regulatory departments have formulated evaluation of systemically important banks and the Additional Regulatory Rules for Systemically Important Banks (for Trial Implementation). According to the above provisions, systemically important banks shall meet certain additional capital requirements in addition to minimum capital requirements, reserve capital and counter-cyclical capital requirements, which are satisfied by core Tier 1 capital. Systemically important banks are divided into five groups, and the additional capital requirements of 0.25%, 0.5%, 0.75%, 1% and 1.5% shall apply to the banks in Group I to Group V respectively. According to the List of Domestic Systemically Important Banks issued by the PBOC and the NFRA in September 2023, the Bank was identified as systemically important banks in Group II. Therefore, after considering the additional capital requirements of systemically important banks, the Group should meet the minimum requirement of 8% of core tier 1 capital adequacy, 9% of tier 1 capital adequacy and 11% of capital adequacy.

As at December 31, 2024, the Group's core tier 1 capital ratio, tier 1 capital ratio, and capital ratio all meet the requirements of the Administrative Measures on the Capital of Commercial Banks and other relevant regulations.

IX ASSET PLEDGED AS COLLATERAL

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

	<u>31 December 2024</u>	<u>31 December 2023</u>
Financial investments	712,451	943,312
Bills	154,078	87,619
Deposits with banks and other financial institutions	9,056	4,411
Loans	1,045	2,143
Total	<u>876,630</u>	<u>1,037,485</u>

Apart from the aforementioned collaterals and the Group's assets for operating leases, the amount of assets with restricted ownership or usage due to pledges, seizures, freezes, or detentions was not significant as the end of 2024 (at the end of 2023: not significant).

X EVENTS AFTER THE REPORTING DATE

1 Profit distribution plan

The Bank convened the board of directors on 27 March 2025, approved the profit distribution plan for 2024 and submitted it to the annual general meeting for consideration and approval.

XI COMPARATIVE FIGURES

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

Shanghai Pudong Development Bank Co., Ltd.

Financial Statements
for the year ended 31 December 2023

English Translation of the Financial Statements

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

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

KPMG Huazhen Tongzi NO. 2400112

Opinion

We have audited the financial statements of Shanghai Pudong Development Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 1 to 148, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2023, the consolidated and the Bank's statement of profit or loss and other comprehensive income, the consolidated and the Bank's statement of changes in equity and the consolidated and the Bank's statement of cash flows for the year then ended and relevant notes to the financial statements, including a summary of significant accounting policies and notes including other explanatory materials.

In our opinion, the financial statements give a true and fair view of the consolidated and the Bank's financial positions at 31 December 2023 and of its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

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KPMG Huazhen Tongzi NO.

Key audit matters (continued)

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

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
The Group assesses whether the credit risks of loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments have increased significantly since their initial recognition, and applies a three – stage impairment model to measure their ECL. For loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.	• Based on the work of FRM Specialists, evaluating the reliability of ECL models and parameters used, including prudently evaluating probability of default, loss given default, exposure at default, discount rate, forward-looking information adjustment and other adjustment factors, and evaluating the reasonableness of key management judgments involved; • Evaluating the completeness and accuracy of key data used by the ECL models. For key internal data related to the original business files, we compared the respective amount of loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments used by the management to evaluate the loss allowances with the general ledger amounts, in order to assess the completeness of lists. Select samples and compare the information of the loans and advances to customers and financial investment at amortized cost, financial guarantees and loan commitments with relevant agreements and other relevant documents to assess the accuracy of the lists. For key external data, we compared it with public information to check its accuracy; • Evaluating key parameters involving subjective judgments by seeking evidence from external sources and comparing it with internal records including historical loss scenarios and security types. As part of these procedures, we inquired management about the reasons for modifications of key estimates and parameters input, and assessed the consistency of judgement used by management;

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To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

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KPMG Huazhen Tongzi NO. 2400112

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.27, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following: (1) Division of business operations sharing similar credit risk characteristics into the same group, selection of appropriate models and determination of relevant key parameters; (2) Criteria for determining a significant increase in credit risk, default and credit impairments; (3) Application of economic indicators, economic scenarios and their respective weightings for forward-looking information.	- Comparing the predictive economic indicators used by the management to measure the ECL in the previous year with the actual situation of the current year to consider whether there are indicators of management bias; - For key internal data which was generated by the system calculation, we selected samples and compared the input data used in the system with the original business files to evaluate the accuracy of the data input. In addition, based on the work of IRM Specialists, we selected samples and tested the logic of preparing overdue information of loans and advances to customers; - Selecting samples to assess the reasonableness of management judgement on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. We analysed the loan portfolio and financial investments at amortized cost by industry sector to select samples in industries sensitive to the current business cycle and regulatory policies. We also focused on loans and financial investments at amortized cost with perceived higher risk and selected samples from loans credit impairment has occurred, overdue but credit impairment has not occurred, a significant increase in credit risk and borrowers with warning signs, adverse press coverage. On the basis of sample selection, we reviewed the business documents, checked the overdue information, inquired customer managers about the operation conditions of borrowers, checked the financial information of the borrower and searched for market information about the borrower's business and operation;

Independent Auditor's Report

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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 evaluating loss ratio calculation model based on grouping , or assessing the forecast of recoverable cash flows through inquiry, applying professional judgment and performing independent research. We also evaluated the timing and realisation method of collaterals and considered other sources of repayment asserted by the management. We assessed the consistency of the application of key assumptions made by the management and compared the assumptions with our data sources; • Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group; • According to the relevant accounting standards, evaluate the reasonableness of the information disclosure of financial statements in terms of loans and advances to customers, financial investments measured at amortised cost, financial guarantee contracts and loan commitments.

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

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KPMG Huazhen Tongzi NO. 2400112

Key audit matters (continued)

Consolidation of structured entities	
Refer to Notes II.4(1) and III.37 to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an asset-backed security, a trust plan, an asset management plan or a securities investment fund.	Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following: • Making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • Selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected: - Inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; - Inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;

Key audit matters (continued)

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

Independent Auditor's Report

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

KPMG Huazhen Tongzi NO. 2400112

Key audit matters (continued)

Assessment of the fair value of financial instruments	
Refer to Notes II.4(8), II.4(22), II.4(31) described in the accounting policies, and VIII.4 to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • Understanding the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • 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.

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

KPMG Huazhen Tongzi NO. 2400112

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

KPMG Huazhen Tongzi NO. 2400112

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

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

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

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

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

KPMG Huazhen LLP

Beijing, the People's Republic of China
26 April 2024

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Statement of Profit or Loss
For the year ended 31 December 2023
(Expressed in millions of RMB unless otherwise stated)

		The Group		The Bank	
	Note	2023	2022	2023	2022
Interest income		297,598	299,520	290,164	293,781
Interest expense		(179,163)	(165,851)	(174,351)	(162,810)
Net interest income	III.1	118,435	133,669	115,813	130,971
Fee and commission income		32,035	37,766	29,077	33,308
Fee and commission expense		(7,582)	(9,075)	(7,980)	(10,860)
Net fee and commission income	III.2	24,453	28,691	21,097	22,448
Net trading profit or loss	III.3	19,587	17,172	19,287	17,735
Net gains or losses arising from financial investments	III.4	7,122	5,313	3,234	5,386
Other net operating income		3,740	3,661	561	529
Operating expenses	III.5	(56,005)	(56,588)	(51,133)	(51,368)
Impairment losses	III.6	(76,863)	(75,999)	(75,588)	(74,674)
Net gains or losses arising from associates and joint ventures		223	230	186	198
Profit before income tax		40,692	56,149	33,457	51,225
Income tax expense	III.7	(3,263)	(4,152)	(524)	(2,746)
Net profit		<u>37,429</u>	<u>51,997</u>	<u>32,933</u>	<u>48,479</u>
Net profit attributable to:					
Shareholders of the Bank		36,702	51,171	32,933	48,479
Non-controlling interests		727	826	-	-
Earnings per share attributable to the shareholders of the Bank:					
Basic earnings per share (expressed in RMB)	III.8	<u>1.07</u>	<u>1.56</u>		
Diluted earnings per share (expressed in RMB)	III.8	<u>0.99</u>	<u>1.44</u>		

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Statement of Comprehensive Income
For the year ended 31 December 2023
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group		The Bank	
		2023	2022	2023	2022
Net profit		37,429	51,997	32,933	48,479
Other comprehensive income	III.34				
<i>Items that may be reclassified to profit or loss</i>					
Other comprehensive income recognised under equity method		(1)	-	(1)	-
Changes in fair value of debt investments at fair value through other comprehensive income recognised under equity method		3,460	(8,145)	3,339	(7,715)
Credit impairment allowance of debt investments at fair value through other comprehensive income		1,995	1,959	2,019	1,915
Cash flow hedge reserve		88	(2)	27	(24)
Exchange differences from the translations of foreign financial statements		179	376	24	(20)
<i>Item that will not be reclassified to profit or loss</i>					
Changes in fair value of equity investments at fair value through other comprehensive income		(747)	(57)	(747)	(57)
Other comprehensive income, net of tax		4,974	(5,869)	4,661	(5,901)
Total comprehensive income		42,403	46,128	37,594	42,578
Total comprehensive income attributable to:					
Shareholder of the Bank		41,623	45,252	37,594	42,578
Non-controlling interests		780	876	-	-

The notes on pages 13 to 148 form an integral part of these financial statements.

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

		The Group		The Bank	
	Note	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Assets					
Cash and deposits with central bank	III.9	537,131	457,089	532,553	452,719
Deposits and placements with banks and other financial institutions	III.10	557,362	531,643	549,935	527,812
Precious metals		17,526	3,948	17,526	3,948
Derivative financial assets	III.11	56,311	42,829	56,265	42,770
Financial assets purchased under resale agreements	III.12	44,719	111,411	44,719	111,411
Loans and advances to customers	III.13	4,904,696	4,798,350	4,796,566	4,695,040
Financial investments:	III.14				
-Financial investments at fair value through profit or loss		780,226	708,984	740,523	636,751
-Financial investments at amortized cost		1,271,082	1,196,691	1,208,379	1,193,150
-Financial investments at fair value through other comprehensive income		624,747	649,788	613,336	641,678
Investments in associates and joint ventures	III.15	2,825	2,655	2,458	2,319
Investments in controlled subsidiaries		-	-	29,310	29,307
Fixed assets	III.16	45,308	37,157	18,286	14,721
Construction in progress		1,982	5,250	1,159	4,471
Right-of-use assets	III.17	7,150	8,022	6,716	7,495
Intangible assets	III.18	9,767	10,349	7,464	8,036
Goodwill	III.19	5,351	6,981	-	-
Deferred income tax assets	III.20	71,598	68,690	69,250	66,867
Other assets	III.21	69,466	64,814	63,671	57,255
Total assets		9,007,247	8,704,651	8,758,116	8,495,750

The notes on pages 13 to 148 form an integral part of these financial statements.

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

		The Group		The Bank	
	Note	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Liabilities					
Borrowing from central bank		235,242	165,133	234,591	164,427
Deposits and placements from banks and other financial institutions	III.22	1,293,709	1,111,343	1,201,678	1,036,505
Financial liabilities at fair value through profit or loss	III.23	10,207	10,238	7,869	3,233
Derivative financial liabilities	III.11	52,293	37,526	52,260	37,525
Financial assets sold under repurchase agreements	III.24	519,784	350,168	449,030	304,949
Deposits from customers	III.25	5,060,344	4,893,812	5,027,145	4,861,357
Income tax payable		21,798	27,290	21,371	26,701
Debt securities issued	III.26	1,011,653	1,330,304	1,004,010	1,319,856
Deferred income tax liabilities	III.20	1,014	641	-	-
Lease liabilities	III.17	6,871	7,832	6,423	7,293
Provisions	III.27	7,753	6,230	7,753	6,228
Other liabilities	III.28	53,695	57,359	43,596	48,134
Total liabilities		8,274,363	7,997,876	8,055,726	7,816,208

The notes on pages 13 to 148 form an integral part of these financial statements.

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

		The Group		The Bank	
	Note	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Equity					
Share capital	III.29	29,352	29,352	29,352	29,352
Other equity instruments	III.30	112,691	112,691	112,691	112,691
Capital reserves	III.31	81,762	81,762	81,712	81,712
Surplus reserves	III.32	188,929	174,385	188,929	174,385
General risk reserve	III.33	101,575	99,515	98,000	93,500
Other reserves	III.34	2,107	(3,053)	1,893	(3,007)
Retained earnings	III.35	208,333	203,220	189,813	190,909
Equity attributable to the shareholders of the Bank		724,749	697,872	702,390	679,542
Non-controlling interests		8,135	8,903	-	-
Total equity		732,884	706,775	702,390	679,542
Total liabilities and equity		9,007,247	8,704,651	8,758,116	8,495,750

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

Chairman of the board
of the directors:
Weizhong Zhang

Vice President
in charge of
financial work:
Yiyan Liu

Head of the finance
and accounting
department:
Lianquan Li

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Changes in Equity
For the year ended 31 December 2023
(Expressed in millions of RMB unless otherwise stated)

	Equity attributable to the shareholders of the Bank								Non-controlling interests	Total
	Ordinary Shares	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Subtotal		
Balance at 1 January 2023	29,352	112,691	81,762	174,385	99,515	(3,053)	203,220	697,872	8,903	706,775
Net profit	-	-	-	-	-	-	36,702	36,702	727	37,429
Other comprehensive income	-	-	-	-	-	4,921	-	4,921	53	4,974
Total comprehensive income	-	-	-	-	-	4,921	36,702	41,623	780	42,403
Appropriation to surplus reserves and general risk reserves	-	-	-	14,544	3,786	-	(18,330)	-	-	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(9,393)	(9,393)	-	(9,393)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)	-	(1,559)
Interests payment of perpetual bond	-	-	-	-	-	-	(3,794)	(3,794)	-	(3,794)
Other reserves carried forward to retained earnings	-	-	-	-	-	239	(239)	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(231)	(231)
Disposal of equity in subsidiaries	-	-	-	-	(1,726)	-	1,726	-	(1,317)	(1,317)
Balance at 31 December 2023	29,352	112,691	81,762	188,929	101,575	2,107	208,333	724,749	8,135	732,884

The notes on pages 13 to 148 form an integral part of these financial statements.

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

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

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity
For the year ended 31 December 2023
(Expressed in millions of RMB unless otherwise stated)

	<u>Share capital</u>	<u>Other equity instruments</u>	<u>Capital reserves</u>	<u>Surplus reserves</u>	<u>General risk reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2023	29,352	112,691	81,712	174,385	93,500	(3,007)	190,909	679,542
Net profit	-	-	-	-	-	-	32,933	32,933
Other comprehensive income	-	-	-	-	-	4,661	-	4,661
Total comprehensive income	-	-	-	-	-	4,661	32,933	37,594
Appropriation to surplus reserves and general risk reserves	-	-	-	14,544	4,500	-	(19,044)	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(9,393)	(9,393)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,559)	(1,559)
Interests payment of perpetual bond	-	-	-	-	-	-	(3,794)	(3,794)
Other reserves carried forward to retained earnings	-	-	-	-	-	239	(239)	-
Balance at 31 December 2023	<u>29,352</u>	<u>112,691</u>	<u>81,712</u>	<u>188,929</u>	<u>98,000</u>	<u>1,893</u>	<u>189,813</u>	<u>702,390</u>

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity (continued)
For the year ended 31 December 2022
(Expressed in millions of RMB unless otherwise stated)

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

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements
For the year ended 31 December 2023
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2023	2022	2023	2022
Cash flows from operating activities				
Profit before income tax	40,692	56,149	33,457	51,225
Adjustment for:				
Depreciation and amortization	8,575	7,828	6,876	6,598
Interest expense on lease liability	257	294	247	283
Assets impairment losses	76,863	75,999	75,588	74,674
Interest expense from financing activities	33,894	39,212	33,535	38,767
Interest income from financial investments	(65,896)	(63,129)	(64,562)	(62,585)
Net profit or loss on disposal of fixed assets	(72)	(84)	(74)	(12)
Share of profits from associates and joint ventures	(223)	(230)	(186)	(198)
Unrealized profit or loss on derivative financial instruments	6,732	(1,173)	6,732	(1,173)
Net profit or loss arising from financial investments	(7,122)	(5,313)	(3,234)	(5,386)
Net trading profit or loss	(20,533)	(4,635)	(20,580)	(5,585)
Foreign exchange gain or loss arising from investing and financing activities	4	16	4	16
Changes in operating assets:				
Statutory reserves with central bank	21,260	5,378	21,723	5,165
Deposits and placements with banks and other financial institutions	(68,968)	(83,871)	(67,889)	(84,211)
Financial assets held for trading	(18,910)	(17,072)	(13,888)	(30,444)
Financial assets purchased under resale agreements	(1,703)	66	(1,703)	67
Loans and advances to customers	(162,894)	(172,136)	(158,494)	(164,255)
Other operating assets	(48,087)	31,146	(32,923)	33,274

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2023
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2023	2022	2023	2022
Cash flows from operating activities (continued)				
Changes in operating liabilities:				
Borrowing from central bank	69,274	(70,174)	69,328	(69,784)
Deposits and placements from banks and other financial institutions	181,418	(80,768)	164,334	(84,079)
Financial assets sold under repurchase agreements	169,458	175,885	143,923	134,847
Deposits from customers	158,152	423,422	157,299	422,573
Other operating liabilities	29,218	58,013	17,074	62,687
Cash generated from operating activities before income tax payment	401,389	374,823	366,587	322,464
Income tax paid	(12,992)	(9,724)	(9,851)	(8,117)
Net cash generated from operating activities	388,397	365,099	356,736	314,347
Cash flows from investing activities				
Cash received from redemption of investment	2,037,428	1,709,002	1,986,357	1,702,286
Investment income received	73,492	66,212	73,091	64,672
Proceeds from disposal of fixed assets	290	539	170	421
Purchase of fixed assets, intangible assets and other long-term assets	(12,865)	(7,999)	(5,483)	(4,051)
Cash received from disposal of subsidiaries	6,408	-	-	-
Cash payment of investment	(2,134,534)	(1,938,078)	(2,058,874)	(1,881,326)
Net cash used in investing activities	(29,781)	(170,324)	(4,739)	(117,998)

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2023
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2023	2022	2023	2022
Cash flows from financing activities				
Proceeds from issuance of bonds and interbank deposits	886,846	1,192,526	886,846	1,191,019
Cash payment of debt repayment	(1,212,680)	(1,179,731)	(1,209,688)	(1,175,479)
Cash paid for dividends, profit and interest of bond issued	(41,710)	(56,410)	(41,286)	(55,744)
Payment for other financing activities	(3,150)	(3,087)	(3,143)	(3,077)
Net cash used in financing activities	(370,694)	(46,702)	(367,271)	(43,281)
Effect of exchange rate changes on cash and cash equivalents	1,901	8,105	1,996	7,601
Net (decrease) / increase in cash and cash equivalents	(10,177)	156,178	(13,278)	160,669
Cash and cash equivalents at the beginning of the year	372,304	216,126	368,221	207,552
Cash and cash equivalents at the end of the year	362,127	372,304	354,943	368,221
Cash flows from operating activities include:				
Interest received	243,981	253,038	236,539	245,166
Interest paid	(133,716)	(120,011)	(129,244)	(117,417)
Composition of cash and cash equivalents:				
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Cash	6,333	5,544	6,198	5,403
Surplus reserves with central bank	206,375	105,479	204,313	103,168
Deposits and placements with banks and other financial institutions with original maturities no more than three months	106,465	149,915	101,478	148,284
Financial assets purchased under resale agreements with original maturities no more than three months	42,954	111,366	42,954	111,366
Total	362,127	372,304	354,943	368,221

The notes on pages 13 to 148 form an integral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Notes to the financial statements
(Expressed in millions of RMB unless otherwise stated)

I General Information

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

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

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

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

II Basis of preparation and accounting policies

1. Basis of preparation

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and Interpretations promulgated by the International Accounting Standards Board (“IASB”), on the basis of going concern. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”) and financial assets measured at fair value through other comprehensive income (“FVOCI”), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note II. 4(31).

2. Changes in significant accounting policies

The Group has adopted the following amendments to the IFRS issued by the IASB in the current year.

- *IFRS 17 – Insurance Contracts*
- *Amendments IAS 1 and IFRS Practice statement 2 - Disclosure of accounting policies.*
- *Amendments to IAS 8 – Accounting Estimate*
- *Amendments to IAS 12 - Deferred taxes related to assets and liabilities arising from individual transactions*
- *Amendments to IAS 12 - International Tax Reform—Pillar Two Model Rules*

The above amended IFRSs that are effective in 2023 has been initially adopted in the financial report. The initial adoption of the above amendments did not have any material impact on the financial position and financial performance of the Group.

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

The Group has not adopted the following issued but not yet effective standards and amendments in the financial statements.

- *Amendments to IFRS 16⁽¹⁾ - Lease liabilities in sale and leaseback transactions*
- *Amendments IAS 1 (2020)⁽¹⁾ - Liability classified as current or non-current*
- *Amendments IAS 1 (2022) ⁽¹⁾ - Non-current liabilities with contractual conditions*
- *Amendments to IAS 7 and IFRS 7 ⁽¹⁾ - Supplier finance arrangements*
- *Amendments to IAS 21 ⁽²⁾ - Lack of exchangeability*
- *Amendments to IFRS 10 and IAS 28⁽³⁾ - Sale or contribution of assets between an investor and its associate or joint venture*

(1) Effective for accounting periods beginning on or after 1 January 2024.

(2) Effective for accounting periods beginning on or after 1 January 2025.

(3) Effective date has been indefinitely deferred.

The adoption of the above amendments will not have a material impact on the Group's consolidated financial statements.

4. Summary of significant accounting policies

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

(1) Subsidiaries

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

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

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

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

(2) Non-controlling interests

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

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

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

(3) Associates and joint ventures

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

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

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

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

(4) Functional currency

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

(5) Foreign currency translation

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

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

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

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits

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

(6) Criteria for determining cash and cash equivalents

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

(7) Precious metals

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

(8) Financial instruments

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

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

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

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

(ii) *Classification and subsequent measurement of financial assets*

(a) Classification of financial assets

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

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

(b) Subsequent measurement of financial assets

- Financial assets measured at FVTPL

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

- Financial assets measured at amortised cost

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

- Debt investments measured at FVOCI

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

- Equity investments measured at FVOCI

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

(iii) *Classification and subsequent measurement of financial liabilities*

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as a financial liability designated at fair value through profit or loss (including derivative financial liability) or it is designated as such on initial recognition.

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

- The financial liability is part of a hedging relationship

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

- Other financial liabilities

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

(iv) *Offsetting*

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

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

(v) *Derecognition of financial assets and financial liabilities*

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

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

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

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

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

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

(vi) *Impairment of financial assets*

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

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

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

Measurement of ECL

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

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

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

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

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

Presentation of allowance for ECL

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

Write-off

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

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

(vii) Modification of financial asset contracts

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

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

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

(viii) *Equity instrument*

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

(9) Financial guarantee contracts and loan commitments

Financial guarantee contracts

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

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

Loan commitments

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

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

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

(10) Derivatives and hedge accounting

Derivative financial instruments

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

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

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

Hedge accounting

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

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

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

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

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

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

The Group discontinues applying hedge accounting in any of the following circumstances:

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

(i) Cash flow hedges

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

- the cumulative gain or loss on the hedging instrument from inception of the hedge;
- the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

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

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

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

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

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

- If the hedged future cash flows are still expected to occur, that amount will remain in the cash flow hedge reserve, and be accounted for in accordance with the above policy.
- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(ii) Fair value hedges

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

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

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

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

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

(11) Convertible instruments

Convertible instruments containing an equity component

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

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

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

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

Other convertible instruments not containing an equity component

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

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

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

(12) Preference shares and perpetual bonds with unfixed terms

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

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

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

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

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

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

(14) Fixed assets

Recognition of fixed assets

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

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II.4(15).

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

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

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

Depreciation of fixed assets

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

<u>Class</u>	<u>Estimate useful life</u>	<u>Residual value rate</u>	<u>Depreciation rate</u>
Plant and buildings	30 years	3 - 5%	3.17 - 3.23%
Motor vehicles	5 years	3 - 5%	19.00 - 19.40%
Electronic computers 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. The useful life of the land use right is 27 to 70 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.
- Software is amortized since month of acquisition using straight-line method over its beneficial life. The useful life of the software is 1 to 10 years.
- Brand and franchise right are intangible assets with no expected useful lives, which are not subject to amortization.

The Group at least reviews the useful life and amortization method of a finite useful life intangible assets at the end of each year.

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

(17) Long-term deferred expenses

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

(18) Repossessed assets

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

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

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

(19) Goodwill

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

(20) Impairment of assets other than financial assets

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

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

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

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note II.4(22)) less costs to sell and its present value of expected future cash flows.

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

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

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

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

(21) Provisions

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

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

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

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

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

(22) Fair value measurement

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

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

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

(23) Dividend distribution

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

(24) Fiduciary activities

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

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

(25) Revenue recognition

Interest income

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

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

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

Fee and commission income

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

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

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

Dividend income

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

Net trading income

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

(26) Expenses

Interest expenses

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

Other expenses

Other expenses are recognised on an accrual basis.

(27) Employee benefits

Short-term employee benefits

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

Post-employment benefits

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

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

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

Termination benefits

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

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

Other long-term employee benefits

According to the actual payment of employees’ salaries or services during the accounting period when employees provide services, the amount accrued or paid by employees shall be recognized as a liability, and included in the current profit and loss.

(28) Income tax

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

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

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

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

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

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

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

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

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

(29) Leases

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

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

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

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

1) As a lessee

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

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note II.4(20).

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

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

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

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

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

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

2) As a lessor

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

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

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

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note II.4(8). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

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

(30) Related parties

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

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

(31) Significant accounting estimates and judgements

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

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

Measurement of ECL

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

Goodwill impairment

The Group tests whether goodwill is impaired at least annually, and impairment test is also required when there are signs that goodwill may be impaired. During the impairment test, it is necessary to allocate goodwill to the corresponding asset group or combination of asset groups, and assess the recoverable amount generated by the asset group or combination of asset groups. Information of impairment tests on the Group's goodwill is set out in Note III.19.

Income tax

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

Fair value of financial instruments

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

Judgment on whether the structured entities has control

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

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

III NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

1 Net interest income

	The Group		The Bank	
	2023	2022	2023	2022
Interest income				
Loans and advances to customers				
-Corporate loans	102,076	96,127	96,781	91,888
-Retail loans	98,636	110,209	97,847	109,314
-Discounted bills	5,837	10,585	5,837	10,585
Financial investments				
-at amortized cost	45,699	45,430	44,736	45,349
-at fair value through other comprehensive income	20,197	16,534	19,826	16,070
Deposits and placements with banks and other financial institutions	17,492	12,914	17,505	12,883
Deposits with central bank	5,570	5,599	5,541	5,570
Financial assets purchased under resale agreements	2,091	2,122	2,091	2,122
Subtotal	297,598	299,520	290,164	293,781
Interest expense				
Deposits from customers	(105,378)	(96,828)	(104,704)	(96,005)
Debt securities issued	(33,894)	(39,212)	(33,535)	(38,767)
Deposits and placements from banks and other financial institutions	(29,038)	(20,125)	(25,748)	(18,366)
Financial assets sold under repurchase agreements	(5,879)	(3,704)	(5,401)	(3,704)
Borrowing from central bank	(4,974)	(5,982)	(4,963)	(5,968)
Subtotal	(179,163)	(165,851)	(174,351)	(162,810)
Net interest income	118,435	133,669	115,813	130,971

2 Net fee and commission income

	The Group		The Bank	
	2023	2022	2023	2022
Fee and commission income				
Fees from bank cards	13,344	14,403	13,344	14,402
Custodian and other fiduciary activities commissions	5,382	11,222	2,681	7,100
Agency commissions	5,292	4,090	5,278	4,090
Fees from investment banking activities	3,293	3,775	3,246	3,595
Credit commitment fees	2,424	2,093	2,424	2,092
Settlement and clearing fees	1,017	992	965	992
Others	1,283	1,191	1,139	1,037
Subtotal	32,035	37,766	29,077	33,308
Fee and commission expense	(7,582)	(9,075)	(7,980)	(10,860)
Net fee and commission income	24,453	28,691	21,097	22,448

3 Net trading gains and losses

	The Group		The Bank	
	2023	2022	2023	2022
Financial investments measured at FVTPL	21,386	14,257	21,025	14,865
Non-foreign exchange derivative financial instruments	1,278	3,191	1,278	3,191
Hedged bonds	451	(497)	451	(497)
Precious metals	(272)	(6,935)	(272)	(6,935)
Exchange gains and losses	(3,536)	6,692	(3,477)	6,648
Others	280	464	282	463
Total	19,587	17,172	19,287	17,735

4 Net gains and losses arising from financial investments

	Note	The Group		The Bank	
		2023	2022	2023	2022
Financial investments at amortized cost		2,419	2,683	2,370	2,683
Financial investments measured at FVOCI		395	2,509	501	2,457
Dividend income		67	121	363	246
Others	(1)	4,241	-	-	-
Total		<u>7,122</u>	<u>5,313</u>	<u>3,234</u>	<u>5,386</u>

(1) In 2023, Shanghai International Trust transferred the equity of China International Fund Management, and the Group recognised investment income of RMB 4.241 billion.

5 Operating expenses

	The Group		The Bank	
	2023	2022	2023	2022
Staff costs				
- Employee benefits	25,638	26,247	23,955	23,979
- Post-employment benefits	2,869	2,690	2,684	2,513
Subtotal	<u>28,507</u>	<u>28,937</u>	<u>26,639</u>	<u>26,492</u>
Depreciation and amortization	7,075	6,801	6,876	6,598
Business tax and surcharges	2,002	2,059	1,889	1,953
Others	<u>18,421</u>	<u>18,791</u>	<u>15,729</u>	<u>16,325</u>
Total	<u>56,005</u>	<u>56,588</u>	<u>51,133</u>	<u>51,368</u>

6 Impairment losses

	The Group		The Bank	
	2023	2022	2023	2022
Loans and advances to customers	55,713	65,143	55,045	64,005
Others	21,150	10,856	20,543	10,669
Total	76,863	75,999	75,588	74,674

7 Income tax expense

	The Group		The Bank	
	2023	2022	2023	2022
Current income tax expense	7,461	11,864	4,530	10,127
Deferred income tax expense	(4,198)	(7,712)	(4,006)	(7,381)
Total	3,263	4,152	524	2,746

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

	Note	The Group		The Bank	
		2023	2022	2023	2022
Profit before income tax		40,692	56,149	33,457	51,225
Tax calculated at statutory tax rate of the PRC		10,173	14,037	8,364	12,806
Tax effect from other various tax rates adopted by subsidiaries		45	49	-	-
Tax effect of non-deductible expenses (1)	(1)	3,275	982	3,178	671
Tax effect of non-taxable income		(10,172)	(10,035)	(10,013)	(9,841)
Other income tax adjustments		(58)	(881)	(1,005)	(890)
Income tax expense		3,263	4,152	524	2,746

(1) Non-deductible expenses mainly refer to non-deductible asset write-off losses.

8 Earnings per share

(1) Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing net profit for the year attributable to the holders of the Bank's share capital by the weighted average number of share capital outstanding during the year. The conversion feature of preference shares is considered to fall within the category of contingently issuable share capital. As at 31 December 2023, the triggering events of share conversion did not occur. Therefore, the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share in the current period.

The Group

	2023	2022
Profit for the year attributable to shareholders of the Bank	36,702	51,171
Less: Profit for the year attributable to preference shareholders of the Bank	(1,559)	(1,559)
Payment of interests of non-fixed term capital bonds	(3,794)	(3,794)
Profit for the year attributable to the holders of the Bank's share capital	31,349	45,818
Weighted average number of outstanding share capital (million)	29,352	29,352
Basic EPS (RMB)	1.07	1.56

(2) Diluted earnings per share

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

The Group

	2023	2022
Net profit for the current year attributable to shareholders of the Bank	31,349	45,818
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	1,504	1,471
Net profit for calculating diluted earnings per share this year	32,853	47,289
Weighted average number of outstanding ordinary shares (million)	29,352	29,352
Add: Assume that convertible corporate bonds are entirely converted to weighted average number of ordinary shares (million)	3,687	3,579
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	33,039	32,931
Diluted earnings per share (RMB)	0.99	1.44

9 Cash and deposits with central bank

	Note	The Group		The Bank	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Cash		6,333	5,544	6,198	5,403
Statutory reserves with central bank	(1)	324,091	345,351	321,710	343,433
Surplus reserves with central bank	(2)	206,375	105,479	204,313	103,168
Fiscal deposits with central bank		167	544	167	544
Accrued interest		165	171	165	171
Total		537,131	457,089	532,553	452,719

- (1) The Group is required to place statutory reserves with the PBOC and overseas central banks, including RMB and foreign currency deposit reserves and foreign exchange risk reserves for forward foreign exchange sales businesses, which are not allowed to be used in the Group's daily operations.
- (2) The surplus reserves refer to money deposited by the Group with the PBOC and overseas central banks for the purpose of funds liquidation.

10 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Deposits with domestic banks	65,378	108,385	48,769	98,389
Deposits with overseas banks	39,487	58,737	39,648	58,532
Deposits with domestic non-bank financial institutions	634	906	599	906
Placements with domestic banks	42,532	39,407	42,532	39,407
Placements with overseas banks	57,470	38,714	57,470	38,714
Placements with domestic non-bank financial institutions	346,351	282,110	355,417	288,456
Placements with overseas non-bank financial institutions	1,263	80	1,263	134
Accrued interest	4,794	3,873	4,703	3,813
Less: Impairment allowance	(547)	(569)	(466)	(539)
Total	557,362	531,643	549,935	527,812

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

11 Derivative financial instruments

The Group

	31 December 2023		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	4,694,725	17,002	(16,037)
Exchange rate derivatives	2,213,084	16,508	(18,251)
Precious metal and other derivatives	666,916	22,801	(18,005)
Total		56,311	(52,293)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	14,375	106	(72)
- Currency swap contracts	7,447	18	(39)
Cash flow hedges			
- Interest rate swap contracts	422	22	-
- Currency swap contracts	52,760	117	(135)
Total		263	(246)
	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	3,889,642	12,374	(9,973)
Exchange rate derivatives	1,882,807	21,145	(23,554)
Precious metal and other derivatives	332,377	9,310	(3,999)
Total		42,829	(37,526)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	12,048	545	(100)
Cash flow hedges			
- Interest rate swap contracts	627	34	-
- Currency swap contracts	20,788	134	(148)
Total		713	(248)

The Bank

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

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

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

Fair value hedges

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

Cash flow hedges

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

12 Financial assets purchased under resale agreements

The Group and the Bank

	The Group and the Bank	
	31 December 2023	31 December 2022
Bonds	38,184	111,366
Discounted bills	6,473	-
Accrued interest	76	60
Less: Impairment allowance	(14)	(15)
Total	44,719	111,411

13 Loans and advances to customers

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

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

13.1 Loans and advances to customers analysed by industry

The Group

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

The Bank

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

13.2 Loans and advances to customers analysed by collateral type

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

13.3 Overdue loans and advances to customers

The Group

	31 December 2023				Total
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	
Unsecured loans	16,668	12,325	1,585	1,708	32,286
Guaranteed loans	5,181	5,823	10,304	1,063	22,371
Collateralized loans	16,278	14,004	9,605	1,946	41,833
Pledged loans	643	316	3,462	416	4,837
Total	38,770	32,468	24,956	5,133	101,327

	31 December 2022				Total
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	
Unsecured loans	17,264	13,300	2,102	2,067	34,733
Guaranteed loans	6,936	8,290	9,181	2,124	26,531
Collateralized loans	14,916	11,821	10,341	2,037	39,115
Pledged loans	3,586	1,966	1,840	136	7,528
Total	42,702	35,377	23,464	6,364	107,907

The Bank

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

31 December 2022					
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	16,337	12,910	2,026	1,272	32,545
Guaranteed loans	6,346	7,663	8,659	2,095	24,763
Collateralized loans	14,749	11,685	10,281	2,025	38,740
Pledged loans	2,570	1,965	1,830	136	6,501
Total	40,002	34,223	22,796	5,528	102,549

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

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

The Bank

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

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2022		30,659	14,112	59,410	104,256
Transfers during the year:					
- Transfer to stage 1		1,399	(1,225)	(174)	-
- Transfer to stage 2		(1,493)	3,588	(2,095)	-
- Transfer to stage 3		(890)	(7,274)	8,164	-
Net increase during the year	(1)	5,602	12,332	45,803	7,737
Written-offs and disposals during the year		-	-	(64,608)	(64,608)
Recovery of loans and advances written off in previous years		-	-	8,573	8,573
Others		47	-	(532)	(485)
Balance at 31 December 2022		35,324	21,533	54,616	111,473

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

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

The Group and the Bank

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

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

14 Financial Investments

	Note	The Group		The Bank	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial investment measured at FVTPL	(a)	780,226	708,984	740,523	636,751
Financial investments measured at amortized cost	(b)	1,271,082	1,196,691	1,208,379	1,193,150
Financial investments measured at FVOCI	(c)	624,747	649,788	613,336	641,678
Financial investments, net		<u>2,676,055</u>	<u>2,555,463</u>	<u>2,562,238</u>	<u>2,471,579</u>

(a) Financial investments measured at FVTPL:

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

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

(b) Financial Investments measured at amortized cost

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

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

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

The Group

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

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

The Bank

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

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

(c) Financial investments measured at FVOCI

	Note	The Group		The Bank	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Government bonds		286,412	250,527	283,385	247,212
Corporate bonds		122,163	103,102	113,796	98,955
Bonds issued by financial institutions		82,357	84,877	82,406	84,256
Bonds issued by policy banks		79,886	102,645	79,886	102,645
Deposit certificates issued by other financial institutions		33,438	91,035	33,438	91,035
ABS		1,566	2,700	1,566	2,700
Reposessed equity instruments	(1)	33,438	91,035	33,438	91,035
Fund trust and Asset management plans		20	-	-	-
Other equity investment	(1)	5,164	5,170	5,164	5,170
Subtotal		617,308	642,942	605,943	634,859
Accrued interest		7,439	6,846	7,393	6,819
Total		624,747	649,788	613,336	641,678

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

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

The Group

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

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

The Bank

	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Life-time ECL	<u>Stage 3</u> Life-time ECL	<u>Total</u>
Balance at 1 January 2023	530	193	2,476	3,199
Transfer for the year :				
- to stage 1	1	(1)	-	-
- to stage 2	(14)	14	-	-
- to stage 3	-	(115)	115	-
Net (decrease)/increase for the year	(142)	87	2,530	2,475
Written-offs	-	-	(230)	(230)
Others	3	2	14	19
Balance at 31 December 2023	378	180	4,905	5,463
	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Life-time ECL	<u>Stage 3</u> Life-time ECL	<u>Total</u>
Balance at 1 January 2022	318	180	220	718
Transfer for the year :				
- to stage 1	-	-	-	-
- to stage 2	(11)	11	-	-
- to stage 3	-	(129)	129	-
Net (decrease)/increase for the year	209	127	2,162	2,498
Written-offs	-	-	(65)	(65)
Others	14	4	30	48
Balance at 31 December 2022	530	193	2,476	3,199

15 Investments in associate and joint ventures

	Note	The Group		The Bank	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Investments in joint ventures	III.38(2)	2,458	2,319	2,458	2,319
Investments in associate	III.38(2)	367	336	-	-
Total		<u>2,825</u>	<u>2,655</u>	<u>2,458</u>	<u>2,319</u>

The Group

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

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

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

16 Fixed assets

The Group

	Plant and buildings	Motor vehicles	Electronic computers and other equipments	Plane and ship equipments	Total
Cost					
1 January 2022	14,139	449	9,809	23,419	47,816
Additions	341	25	1,482	3,722	5,570
Transferred from construction in progress	2,942	-	6	-	2,948
Disposals	(137)	(30)	(580)	-	(747)
31 December 2022	17,285	444	10,717	27,141	55,587
Additions	1,035	15	1,351	6,156	8,557
Transferred from construction in progress	3,274	-	9	-	3,283
Disposals	(126)	(23)	(663)	-	(812)
31 December 2023	21,468	436	11,414	33,297	66,615
Accumulated depreciation					
1 January 2022	(5,230)	(352)	(6,642)	(4,105)	(16,329)
Charge	(473)	(26)	(1,257)	(1,027)	(2,783)
Disposal	111	28	543	-	682
31 December 2022	(5,592)	(350)	(7,356)	(5,132)	(18,430)
Charge	(625)	(27)	(1,367)	(1,500)	(3,519)
Disposal	43	21	616	-	680
31 December 2023	(6,174)	(356)	(8,107)	(6,632)	(21,269)
Impairment allowance					
1 January 2022	-	-	-	-	-
Charge	-	-	-	-	-
31 December 2022	-	-	-	-	-
Charge	-	-	-	(38)	(38)
31 December 2023	-	-	-	(38)	(38)
Net book value					
31 December 2023	15,294	80	3,307	26,627	45,308
31 December 2022	11,693	94	3,361	22,009	37,157

The Bank

	Plant and buildings	Motor vehicles	Electronic computers and other equipments	Total
Cost				
1 January 2022	13,526	417	9,517	23,460
Additions	341	23	1,441	1,805
Transferred from constructions in progress	2,942	-	6	2,948
Disposals	(8)	(27)	(562)	(597)
31 December 2022	16,801	413	10,402	27,616
Additions	1,035	12	1,314	2,361
Transferred from constructions in progress	3,274	-	9	3,283
Disposals	(108)	(19)	(594)	(721)
31 December 2023	21,002	406	11,131	32,539
Accumulated				
1 January 2022	(4,997)	(325)	(6,416)	(11,738)
Charge	(461)	(25)	(1,229)	(1,715)
Disposals	3	25	530	558
31 December 2022	(5,455)	(325)	(7,115)	(12,895)
Charge	(613)	(24)	(1,345)	(1,982)
Disposals	43	17	564	624
31 December 2023	(6,025)	(332)	(7,896)	(14,253)
Net book value				
31 December 2023	14,977	74	3,235	18,286
31 December 2022	11,346	88	3,287	14,721

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

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

17 Lease

(1) Right-of-use assets

The Group

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

The Bank

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

(2) Lease liabilities

The analysis by remaining maturity date as follows:

The Group

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

The Bank

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

18 Intangible assets

The Group

	Land use rights	Software and others	Brand and franchise right	Total
Cost				
1 January 2022	6,800	8,626	2,236	17,662
Additions	-	1,455	-	1,455
Disposals	-	(1)	-	(1)
31 December 2022	6,800	10,080	2,236	19,116
Additions	-	1,091	-	1,091
Disposals	-	(127)	-	(127)
31 December 2023	6,800	11,044	2,236	20,080
Accumulated amortisation				
1 January 2022	(800)	(6,324)	-	(7,124)
Amortization	(174)	(1,470)	-	(1,644)
Disposals	-	1	-	1
31 December 2022	(974)	(7,793)	-	(8,767)
Amortization	(174)	(1,451)	-	(1,625)
Disposals	-	79	-	79
31 December 2023	(1,148)	(9,165)	-	(10,313)
Net book value				
31 December 2023	5,652	1,879	2,236	9,767
31 December 2022	5,826	2,287	2,236	10,349

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

The Bank

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

19 Goodwill

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

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

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

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

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

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

China International Fund Management was jointly established in 2004 by Shanghai International Trust, a controlling subsidiary of the bank, and JPMorgan Asset Management U.K. Limited ("JPMorgan Asset"). Shanghai Trust held 51% of the shares and JPMorgan Asset held 49%. According to the asset and equity management regulations of the State-owned Assets Supervision and Administration Commission, in July 2019, Shanghai International Trust publicly listed and transferred 2% of the equity of China International Fund Management on the Shanghai United Assets and Equity Exchange. Afterwards, JPMorgan Asset was delisted with no less than RMB 241 million. In August 2020, Shanghai International Trust publicly listed and transferred 49% of the equity of China International Fund Management on the Shanghai United Assets and Equity Exchange. Afterwards, JPMorgan Asset was delisted with no less than RMB 7 billion. As at the balance sheet date, Shanghai International Trust has completed the equity transaction of China International Fund Management with JPMorgan Asset, and the goodwill originally allocated by the Group to China International Fund Management have been transferred out.

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

(2) Method used to determine the recoverable amount:

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

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

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

20 Deferred income tax

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

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Deferred income tax assets	<u>71,598</u>	<u>68,690</u>	<u>69,250</u>	<u>66,867</u>
Deferred income tax liabilities	<u>(1,014)</u>	<u>(641)</u>	<u>-</u>	<u>-</u>

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

The Group

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

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

The Bank

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

	31 December 2023		31 December 2022	
	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	(56,265)	(14,066)	(42,770)	(10,693)
Fair value changes of assets and liabilities measured at FVTPL	(9,928)	(2,482)	(5,598)	(1,400)
Fair value changes of financial investment measured at FVOCI	(4,102)	(1,026)	(3,818)	(955)
Fair value changes of precious metals	(1,203)	(301)	(517)	(129)
Others	(6,716)	(1,679)	(7,508)	(1,877)
Subtotal	(78,214)	(19,554)	(60,211)	(15,054)
Offset amounts		19,554		15,054
Deferred tax liabilities after offsetting		-		-

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

	Note	The Group		The Bank	
		2023	2022	2023	2022
Balance at the beginning of the year		68,049	58,324	66,867	57,542
Charged to profit or loss	III.7	4,198	7,712	4,006	7,381
Charged to other comprehensive income	III.34	(1,663)	2,013	(1,623)	1,944
Balance at the end of the year		<u>70,584</u>	<u>68,049</u>	<u>69,250</u>	<u>66,867</u>

21 Other assets

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

22 Deposits and placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Deposits from domestic banks	197,810	198,159	204,861	205,763
Deposits from overseas banks	2,393	3,220	2,393	3,220
Deposits from domestic non-bank financial institutions	770,439	551,064	773,728	555,781
Deposits from overseas non-bank financial institutions	16,028	15,603	16,743	15,993
Placements from domestic banks	262,430	280,294	168,802	204,796
Placements from overseas banks	38,847	56,443	29,757	48,047
Placements from domestic non-bank financial institutions	600	3,596	600	200
Accrued interest	5,162	2,964	4,794	2,705
Total	<u>1,293,709</u>	<u>1,111,343</u>	<u>1,201,678</u>	<u>1,036,505</u>

23 Financial liabilities measured at FVTPL

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

- (1) The Group designated interests attributable to other unit holders in consolidated structured entities as financial liabilities measured at FVTPL. As at 31 December 2023 and 31 December 2022, no significant fair value changes have occurred due to changes in the Group's own credit risk.

24 Financial assets sold under repurchase agreements

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Bonds	427,511	242,281	361,394	200,109
Discounted bills	87,381	104,743	87,381	104,743
Deposit certificates issued by other financial institutions	4,637	3,047	-	-
Accrued interest	255	97	255	97
Total	519,784	350,168	449,030	304,949

25 Deposits from customers

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

26 Debt securities issued

	Note	The Group		The Bank	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Interbank deposit certificates and deposit certificates issued	(1)	636,053	887,197	636,053	887,197
Bonds issued					
2018 Tier II First Financial Bond	(2)	-	20,000	-	20,000
2018 Tier II Second Financial Bond	(3)	-	20,000	-	20,000
2020 Tier II First Financial bond	(4)	32,000	32,000	32,000	32,000
2020 Tier II Second Financial Bond	(5)	8,000	8,000	8,000	8,000
2020 Tier II Third Financial Bond	(6)	30,000	30,000	30,000	30,000
2020 Tier II Fourth Financial Bond	(7)	10,000	10,000	10,000	10,000
2020 First Financial Bond	(8)	-	50,000	-	50,000
2021 First Financial Bond	(9)	60,000	60,000	60,000	60,000
2021 Second Financial Bond	(10)	40,000	40,000	40,000	40,000
2022 First Financial Bond (Variety I)	(11)	25,000	25,000	25,000	25,000
2022 First Financial Bond (Variety II)	(11)	5,000	5,000	5,000	5,000
2022 Third Financial Bond	(12)	30,000	30,000	30,000	30,000
2022 Fourth Financial Bond	(13)	30,000	30,000	30,000	30,000
2023 Green Financial Bond	(14)	30,000	-	30,000	-
Hong Kong medium-term note	(15)	4,964	10,122	4,964	10,122
Singapore medium-term note	(16)	2,128	2,085	2,128	2,085
London medium-term note	(17)	2,837	2,781	2,837	2,781
SPDB Convertible corporate bonds	(18)	49,998	49,998	49,998	49,998
2020 Tier II SPDB Financial Leasing Financial Bond	(19)	1,100	1,100	-	-
2020 SPDB Financial Leasing Financial Bond	(20)	-	2,800	-	-
2021 SPDB Financial Leasing Financial Green Bond	(21)	3,000	3,000	-	-
2021 First SPDB Financial Leasing Financial Bond	(22)	2,000	2,000	-	-
2022 First SPDB Financial Leasing Financial Bond	(23)	1,450	1,450	-	-
Subtotal		367,477	435,336	359,927	424,986
Add: Unamortized issue cost and others		2,462	1,532	2,468	1,546
Debt securities issued		369,939	436,868	362,395	426,532
Accrued interest		5,661	6,239	5,562	6,127
Total		1,011,653	1,330,304	1,004,010	1,319,856

- (1) As at 31 December 2023, the Group issued a total of 181 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 365 days and interest rates falling within a range from 2.00% to 2.76% (As at 31 December 2022, the Group issued a total of 153 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 365 days and interest rates falling within a range from 1.85% to 2.65%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2023, the number of deposit certificates publicly issued but not yet expired were 112 in total, with the longest term to maturity being 365 days and interest rates falling within a range from 0% to 5.90% (As at 31 December 2022, the number of deposit certificates publicly issued but not yet expired were 92 in total, with the longest term to maturity being 365 days and interest rates falling within a range from 0% to 5.66%).

- (2) The Bank issued Tier II capital instruments in the amount of RMB 20 billion in the domestic inter-bank market on 5 September 2018 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.96%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions. The Bank has already redeemed the entire portion of bond.
- (3) The Bank issued Tier II capital instruments in the amount of RMB 20 billion in the domestic inter-bank market on 14 September 2018 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.96%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions. The Bank has already redeemed the entire portion of bond.
- (4) The Bank issued Tier II capital instruments in the amount of RMB 32 billion in the domestic inter-bank market on 30 July 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 3.87%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.
- (5) The Bank issued Tier II capital instruments in the amount of RMB 8 billion in the domestic inter-bank market on 30 July 2020 which have a term of 15 years through maturity, with a fixed annual coupon rate of 4.18%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its tenth anniversary under certain conditions.

- (6) The Bank issued Tier II capital instruments in the amount of RMB 30 billion in the domestic inter-bank market on 15 September 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.27%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.
- (7) The Bank issued Tier II capital instruments in the amount of RMB 10 billion in the domestic inter-bank market on 15 September 2020 which have a term of 15 years through maturity, with a fixed annual coupon rate of 4.52%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its tenth anniversary under certain conditions.
- (8) The Bank issued “2020 First Financial Bond” in the amount of RMB 50 billion in the domestic inter-bank market on 27 April 2020 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.08%. As at 31 December 2023, the Bank has completed the redemption.
- (9) The Bank issued “2021 First Financial Bond” in the amount of RMB 60 billion in the domestic inter-bank market on 23 March 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.48%.
- (10) The Bank issued “2021 Second Financial Bond” in the amount of RMB 40 billion in the domestic inter-bank market on 2 December 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.97%.
- (11) The Bank issued “2022 First Financial Bond (Variety I)” in the amount of RMB 25 billion and “2022 First Financial Bond (Variety II)” in the amount of RMB 5 billion in the domestic inter-bank market on 21 January 2022. Both bonds have a term of 3 years through maturity, with a fixed annual coupon rate of 2.69%.
- (12) The Bank issued “2022 Second Financial Bond” in the amount of RMB 30 billion in the domestic inter-bank market on 24 February 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.78%.
- (13) The Bank issued “2022 Third Financial Bond” in the amount of RMB 30 billion in the domestic inter-bank market on 9 November 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.45%.
- (14) The Bank issued “2023 First Green Financial Bond” in the amount of RMB 30 billion in the domestic inter-bank market on 24 March 2023 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.79%.
- (15) The Bank issued USD 500 million medium-term note in Hong Kong Stock Exchange on 27 July 2020 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS. The Bank simultaneously issued HK 2 billion medium-term notes and US 700 million medium-term notes in Hong Kong Stock Exchange on 13 July 2021 which has the term of 2 years and 3 years respectively, and the coupon rate is 0.600% of the fixed interest rate and 0.875% of the fixed interest rate respectively. As at 31 December 2023, the Bank has completed the redemption of medium-term notes with a total amount of 500 million US dollars and 2 billion Hong Kong dollars.

- (16) Thw Bank issued medium-term notes totaling USD 300 million on the Singapore Exchange on 19 January 2021; the notes have a term of 3 years and a fixed coupon rate of 1.056% per annum.
- (17) The Bank issued USD 400 million medium-term notes on London Stock Exchange on 14 July 2022 which has a term of 3 years through maturity, with a fixed coupon rate of 3.25% per annum.
- (18) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB 50 billion, A-share convertible corporate bonds on 15 November 2019. The convertible corporate bonds have a term of six years from 28 October 2019 to 27 October 2025, at coupon rates of 0.20% for the first year, 0.80% for the second year, 1.50% for the third year, 2.10% for the fourth year, 3.20% for the fifth year and 4.00% for the sixth year. The bond is payable on an annual basis, with principal and last year's interest due. The conversion of these convertible corporate bonds begins from the first trading day after six months upon the completion date of the offering (4 May 2020) to the maturity date (27 October 2025).

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

As at 31 December 2023, a total of RMB 1,412,000 covertible corporate bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 96,451, and it accounts for 0.0003% of the total issued ordinary shares of the company before the convertible bonds of Shanghai Pudong Development Bank. The cumulative effect of the conversion on other equity instruments of the Bank was not material.

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

	<u>Liability</u>	<u>Equity (Note III.30)</u>	<u>Total</u>
Issued amount of convertible bonds	47,214	2,786	50,000
Direct issuance expenses	(78)	(4)	(82)
Balance at the issuance date	47,136	2,782	49,918
Amortisation in the prior year	4,588	-	4,588
Converted bonds in the prior years	(2)	-	(2)
Balance at 1 January 2023	51,722	2,782	54,504
Amortisation in the current period	858	-	858
Balance at 31 December 2023	<u>52,580</u>	<u>2,782</u>	<u>55,362</u>

- (19) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank issued Tier II capital instruments in the amount of RMB 1.1 billion in the domestic inter-bank market on 11 August 2020 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.20%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain conditions.
- (20) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2020 Financial Bond” in the amount of RMB 3 billion in the domestic inter-bank market on 17 November 2020 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.88%. The actual issuance of the Group was RMB 2.8 billion. As at 31 December 2023, SPDB Financial Leasing Co.,Ltd. has completed the redemption.
- (21) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2021 Green Finance Bonds” in the amount of RMB 3 billion in the domestic inter-bank market on 6 July 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.38%.
- (22) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2021 First Financial Bond” in the amount of RMB 2 billion in the domestic inter-bank market on 21 October 2021 which has a term of 3 years through maturity, with a fixed annual coupon rate of 3.30%.

(23) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2022 First Financial Bond (Freight and logistics)” in the amount of RMB 1.5 billion in the domestic inter-bank market on 8 July 2022 which has a term of 3 years through maturity, with a fixed annual coupon rate of 2.93%. As at 31 December 2023, the actual issuance of the Group was RMB 1.45 billion.

(24) As of the balance sheet date, the Group has not defaulted on any of its issued debt securities.

27 Provisions

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Impairment allowance for financial guarantees and loan commitments	7,726	6,229	7,726	6,227
Pending litigation losses	27	-	27	-
Others	-	1	-	1
Total	7,753	6,230	7,753	6,228

28 Other liabilities

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Suspense accounts	21,347	25,634	21,347	25,628
Employee benefits payable	13,879	12,672	12,067	10,764
Advance from performance deposits and other deposits	3,624	3,175	993	217
VAT and other taxes payable	3,306	4,923	2,868	4,366
Contract liabilities	2,649	3,238	2,130	2,690
Accrued expenses	2,022	2,414	1,965	2,402
Dividend payable	42	42	36	38
Others	6,826	5,261	2,190	2,029
Total	53,695	57,359	43,596	48,134

29 Share capital

The Group and the Bank

	31 December 2023	31 December 2022
Domestic listed RMB ordinary share (A shares)	29,352	29,352

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

30 Other equity instrument

	Note	31 December 2023	31 December 2022
Other equity instruments included in the tier 1 capital of the Bank-Equity of SPDB - convertible corporate bonds	(1)	2,782	2,782
Other equity instruments included in other tier 1 capital of the Bank	(2)	109,909	109,909
Total		112,691	112,691

(1) As at 31 December 2023, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2022: RMB 2,782 million), see Note III. 26(18) for specific information.

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

Name of other equity instruments outstanding	Dividend rate	Issuance Price (RMB)	Number	Opening amount	Movements during the year	Closing amount	Maturity date or renewals	Conversion (Yes/No)
Jiangyinyou 1(a)	6% for the first five years; 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 regulatory authorities. Holders of the preference shares have no right to require the Bank to redeem the outstanding preference shares. Dividends of the preference shares are payable in cash on annual basis at a fixed dividend rate which is adjusted every five years. The Bank at its discretion has the right not to declare and distribute the dividends of the preference shares in part or full.

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

1. When the core tier 1 capital adequacy ratio of the Bank decreases to 5.125%(or below), upon the approval from the Board of Directors, the outstanding preference share shall be converted into the Bank's ordinary shares in part or full at a pre-determined mandatory conversion price so as to bring the Bank's core tier 1 capital adequacy ratio back to above 5.125%;
2. When any triggering event of the Bank's tier 2 capital instruments occurs, the outstanding preference shares shall be converted to the Bank's ordinary A shares at the pre-determined mandatory conversion price.

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

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

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

- (b) The Bank issued "2019 Perpetual bond of the Shanghai Pudong Development Bank Co., Ltd." (RMB 30 billion) and "2020 Perpetual bond of the Shanghai Pudong Development Bank Co., Ltd." (RMB 50 billion) in the inter-bank market on July 2019 and November 2020 respectively, which were all accounted for as other equity instruments after deducting issuance expenses. The duration of this Perpetual bond was consistent with the duration of the Bank's continuing operations. The Bank shall have the right to redeem the Perpetual bond in whole or in part on the fifth distribution

payment date since the issuance, provided that prerequisite for redemption is met and such redemption is approved by the regulatory authorities, and the bond investors have no right to request the Bank to redeem the capital bonds with unfixed terms. The Bank shall have the right to cancel, in whole or in part, distributions on the Perpetual bond.

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

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

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

1. Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), with the consent of the regulatory authorities and without the consent of the bondholders, the Bank has the right to write down all or part of the above Perpetual bond issued and existing at that time in accordance with the total par value, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%.
2. When any triggering event of the Bank's tier 2 capital instruments occurs, the Bank has the right to write down all the above Perpetual bond issued and existing at that time in accordance with the total par value without the consent of the bondholders.

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

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

31 Capital reserves

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Share premium	81,691	81,691	81,691	81,691
Other capital surplus				
- Capital increase of subsidiaries	50	50	-	-
- Others	21	21	21	21
Total	81,762	81,762	81,712	81,712

As mentioned in Note III. 26(18), with the approval of the regulatory authorities and other relevant institutions, the Bank publicly issued A-share convertible corporate bonds with a face value of RMB 50 billion in 2019. As of December 31, 2023, about RMB 1,412,000 of convertible corporate bonds had been converted into A-share ordinary shares, accumulatively increasing the bank's share capital to 96,451 shares, and increasing the Bank's share capital premium accordingly.

32 Surplus reserves

The Group and The Bank

	1 January 2023	Addition	31 December 2023
Statutory reserve	22,206	-	22,206
Discretionary reserve	152,179	14,544	166,723
Total	174,385	14,544	188,929

	1 January 2022	Addition	31 December 2022
Statutory reserve	22,206	-	22,206
Discretionary reserve	137,086	15,093	152,179
Total	159,292	15,093	174,385

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 <u>2023</u>	<u>Addition</u>	31 December <u>2023</u>
General risk reserve	99,515	2,060	101,575

	1 January <u>2022</u>	<u>Addition</u>	31 December <u>2022</u>
General risk reserve	90,993	8,522	99,515

The Bank

	1 January <u>2023</u>	<u>Addition</u>	31 December <u>2023</u>
General risk reserve	93,500	4,500	98,000

	1 January <u>2022</u>	<u>Addition</u>	31 December <u>2022</u>
General risk reserve	89,000	4,500	93,500

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

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

34 Other reserves

The Group

	Opening balance of other comprehensive income attributable to the Bank's Shareholders	for the year from 1 January 2023 to 31 December 2023						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	Internal transfer of owner's equity	
Items that may be reclassified to profit or loss								
Debt instruments measured at FVOCI								
- Fair value changes	(7,106)	4,988	(395)	(1,133)	3,461	(1)	-	(3,645)
- Impairment allowance	3,376	3,030	(366)	(669)	1,995	-	-	5,371
Exchange differences from the translation of foreign operations	320	179	-	-	149	30	-	469
Cash flow hedge reserve	6	118	-	(30)	64	24	-	70
Others	1	(1)	-	-	(1)	-	-	-
Item that will not be reclassified to profit or loss								
Change in fair value of other equity instruments								
- Fair value changes	350	(916)	-	169	(747)	-	239	(158)
	<u>(3,053)</u>	<u>7,398</u>	<u>(761)</u>	<u>(1,663)</u>	<u>4,921</u>	<u>53</u>	<u>239</u>	<u>2,107</u>

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

The Bank

	Opening balance of other comprehensive <u>income</u>	for the year from 1 January 2023 to 31 December 2023					Ending balance of other comprehensive <u>income</u>
		<u>Transfer in before tax</u>	<u>Less: transfer out</u>	<u>Less: income tax</u>	<u>After tax</u>	<u>Internal transfer of owner's equity</u>	
Items that may be reclassified to profit or loss							
Financial investments measured at FVOCI							
- Fair value changes	(6,141)	4,950	(501)	(1,110)	3,339	-	(2,802)
- Impairment allowance	2,844	2,922	(230)	(673)	2,019	-	4,863
Exchange differences from the translation of foreign operations	(44)	24	-	-	24	-	(20)
Cash flow hedge reserve	(17)	36	-	(9)	27	-	10
Others	1	(1)	-	-	(1)	-	-
Item that will not be reclassified to profit or loss							
Change in fair value of other equity instruments							
- Fair value changes	350	(916)	-	169	(747)	239	(158)
	<u>(3,007)</u>	<u>7,015</u>	<u>(731)</u>	<u>(1,623)</u>	<u>4,661</u>	<u>239</u>	<u>1,893</u>

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

35 Profit appropriations

(1) Profit distribution for the year ended 31 December 2022

Pursuant to the approval at the Shareholders' meeting on 28 June 2023, the Bank's profit distribution plan for the year ended 31 December 2022 is as follows:

- (i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 14,544 million;
- (ii) Appropriate RMB 4.5 billion as general reserve;
- (iii) The Bank declared and distributed cash dividends of RMB 3.2 (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution.

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

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

- (iv) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 15,093 million;
- (v) Appropriate RMB 4.5 billion as general reserve;
- (vi) The Bank declared and distributed cash dividends of RMB 4.1 (tax included) for every 10 shares to all ordinary shareholders based on the total share capital of common stock on the date of equity registration for profit distribution.

(3) Dividend distribution for preference shares

On 27 October 2023, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 837 million in total (tax included) on 4 December 2023, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 24 February 2023, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 721.5 million in total (tax included) on 13 March 2023, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

On 27 October 2022, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 837 million in total (tax included) on 5 December 2022, which were calculated according to the coupon rate of Pufayou 1 (5.58%).

On 26 January 2022, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 721.5 million in total (tax included) on 11 March 2022, which were calculated according to the coupon rate of Pufayou 2 (4.81%).

(4) Interests payment of capital bonds with unfixed terms

In November 2023, the Bank has declared the distribution of RMB 2.375 billion of interests of perpetual bonds according to the relevant terms of issuance of the 2020 capital bonds with unfixed terms.

In July 2023, the Bank has declared the distribution of RMB 1.419 billion of interests of perpetual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

In November 2022, the Bank has declared the distribution of RMB 2.375 billion of interests of perpetual bonds according to the relevant terms of issuance of the 2020 capital bonds with unfixed terms.

In July 2022, the Bank has declared the distribution of RMB 1.419 billion of interests of perpetual bonds according to the relevant terms of issuance of the 2019 capital bonds with unfixed terms.

36 Transfers of financial assets

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

Assets backed securitization transaction

The Group sells loan assets to structured entities, which then issue asset-backed securities to investors. The partial securitization transactions conducted by the Group will result in the Group terminating the recognition of all transferred financial assets. For the year ended 31 December 2023, the Group transferred financial assets amounted to RMB 26,141 million through assets backed securitization transactions, and all have met the requirement of derecognition (For the year ended 31 December 2022, the Group transferred financial assets amounted to RMB 26,434 million through assets backed securitization transactions, and all have met the requirement of derecognition).

As at 31 December 2023, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 35,874 million (31 December 2022: RMB 35,874 million) to securitised entities. The Group neither transfers nor retains substantially all of the risks and rewards related to ownership of the credit assets, but it retains control over the credit assets. The Group will recognise the assets on the balance sheet according to the degree of its continued involvement, and the rest will be derecognised. As at 31 December 2023, the assets value of the Group's continued recognition was RMB 4,650 million (31 December 2022: RMB 4,650 million).

Transfer of loans assets

For the year ended 31 December 2023, the Group directly transferred and derecognized a total amount of RMB 9,515 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition (For the year ended 31 December 2022, the Group directly transferred and derecognized a total amount of RMB 11,385 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition).

Securities lending transaction

In the securities lending transaction, the counterparty may sell or re-use the above securities in the condition that no default exists, but at the same time bear the obligation to return the above securities on the expiration date specified in the agreement. For the above business, the Group believes that the Group retains most of the risks and rewards of the relevant securities and therefore does not derecognize the relevant securities. As at 31 December 2023, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 64,575 million (31 December 2022: RMB 67,632 million).

37 Involvement with unconsolidated structured entities

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

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

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

	<u>The Group</u>	
	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
Carrying amount		
Financial investments measured at FVTPL		
Fund investments	434,606	357,183
Equity investments	11,109	10,371
Capital trust and asset management plans	10,220	9,761
ABS	1,927	4,683
Other investments	6,613	6,560
Financial investments measured at amortised cost		
Capital trust and asset management plans	258,210	372,761
ABS	66	207
Financial investments measured at FVOCI		
ABS	6,302	2,886
Reposessed equity instruments	502	828
Other investments	1,575	1,575

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

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

The types of unconsolidated structured entities sponsored by the Group include wealth management products, trust plan, fund investment and ABS. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services.

As at 31 December 2023, the amount of assets held by the unconsolidated wealth management products, which are sponsored by the Group, were RMB 1,079,618 million (31 December 2022: RMB 980,263 million).

During the year of 2023 and 2022, the amount of the average exposure of financing transactions through reverse repurchase agreements from the Group with wealth management products sponsored by the Group was RMB Nil million.

As at 31 December 2023, the amount of assets held by the unconsolidated capital trust plans, which are sponsored by the Group, were RMB 370,713 million (31 December 2022: RMB 305,463 million).

As at 31 December 2023, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 39,220 million (31 December 2022: RMB 201,225 million).

As at 31 December 2023, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 114,637 million (31 December 2022: RMB 136,737 million).

In 2023, the Group's commission income from providing services to the wealth management products and Trust plans was RMB 2.394 billion and RMB 1.284 billion, respectively. (In 2022: RMB 5.199 billion and RMB 2.494 billion). The commission income from other non-consolidated structured entities managed by the Group is not material.

- (3) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2023

The total amount of the wealth management products issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB 57,116 million (The aggregated amount of the wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 31 December 2022 is not material).

The total amount of ABS issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB 753 million (The total amount of ABS issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB 502 million).

There was no trust plans or investments in funds issued by the Group after 1 January 2023 and expired before 31 December 2023.

38 Interests in other entities

(1) Interests in major subsidiaries

(i) Major subsidiaries of the Group

Name of subsidiaries	Place of main business	Place of registration	Registered capital	Obtaining method	Share-holding percentage (direct)
SPDB Financial Leasing Co., Ltd.	Shanghai	Shanghai	CNY 5,000,000,000	Establishment	61.02%
Shanghai International Trust Co., Ltd.	Shanghai	Shanghai	CNY 5,000,000,000	Acquisition	97.33%
SPDB International Holding, Ltd.	Hong Kong	Hong Kong	HKD 505,000,000	Acquisition	100.00%
SPDB Wealth Management Co., Ltd.	Shanghai	Shanghai	CNY 5,000,000,000	Establishment	100.00%
Mianzhu SPD Rural Bank Co., Ltd.	Mianzhu, Sichuan	Mianzhu, Sichuan	CNY 50,000,000	Establishment	55.00%
Liyang SPD Rural Bank Co., Ltd.	Liyang, Jiangsu	Liyang, Jiangsu	CNY 150,000,000	Establishment	51.00%
Gongyi SPD Rural Bank Co., Ltd.	Gongyi, Henan	Gongyi, Henan	CNY 150,000,000	Establishment	51.00%
Fengxian SPD Rural Bank Co., Ltd.	Fengxian, Shanghai	Fengxian, Shanghai	CNY 150,000,000	Establishment	51.00%
Zixing SPD Rural Bank Co., Ltd.	Zixing, Hunan	Zixing, Hunan	CNY 150,000,000	Establishment	51.00%
Chongqing Banan SPD Rural Bank Co., Ltd.	Banan, Chongqing	Banan, Chongqing	CNY 50,000,000	Establishment	51.00%
Zouping SPD Rural Bank Co., Ltd.	Zouping, Shandong	Zouping, Shandong	CNY 150,000,000	Establishment	51.00%
Zezhou SPD Rural Bank Co., Ltd.	Jincheng, Shanxi	Jincheng, Shanxi	CNY 150,000,000	Establishment	51.00%
Dalian Ganjingzi SPD Rural Bank Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	CNY 50,000,000	Establishment	51.00%
Hancheng SPD Rural Bank Co., Ltd.	Hancheng Shaanxi	Hancheng Shaanxi	CNY 50,000,000	Establishment	51.00%
Jiangyin SPD Rural Bank Co., Ltd.	Jiangyin, Jiangsu	Jiangyin, Jiangsu	CNY 100,000,000	Establishment	51.00%
Pingyang SPD Rural Bank Co., Ltd.	Pingyang, Zhejiang	Pingyang, Zhejiang	CNY 100,000,000	Establishment	51.00%
Xinchang SPD Rural Bank Co., Ltd.	Xinchang, Zhejiang	Xinchang, Zhejiang	CNY 100,000,000	Establishment	51.00%
Yuanjiang SPD Rural Bank Co., Ltd.	Yuanjiang, Hunan	Yuanjiang, Hunan	CNY 50,000,000	Establishment	51.00%
Chaling SPD Rural Bank Co., Ltd.	Zhuzhou, Hunan	Zhuzhou, Hunan	CNY 50,000,000	Establishment	51.00%
Linchuan SPD Rural Bank Co., Ltd.	Fuzhou, Jiangxi	Fuzhou, Jiangxi	CNY 100,000,000	Establishment	51.00%
Linwu SPD Rural Bank Co., Ltd.	Chenzhou, Hunan	Chenzhou, Hunan	CNY 50,000,000	Establishment	51.00%
Hengnan SPD Rural Bank Co., Ltd.	Hengyang, Hunan	Hengyang, Hunan	CNY 50,000,000	Establishment	51.00%
Haerbin Hulan SPD Rural Bank Co., Ltd.	Haerbin, Heilongjiang	Haerbin, Heilongjiang	CNY 100,000,000	Establishment	51.00%
Gongzhuling SPD Rural Bank Co., Ltd.	Siping, Jilin	Siping, Jilin	CNY 50,000,000	Establishment	51.00%
Yuzhong SPD Rural Bank Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	CNY 50,000,000	Establishment	51.00%
Fumin SPD Rural Bank Co., Ltd.	Fumin, Yunnan	Fumin, Yunnan	CNY 50,000,000	Establishment	51.00%
Ningbo Haishu Rural Bank Co., Ltd.	Ningbo, Zhejiang	Ningbo, Zhejiang	CNY 100,000,000	Establishment	51.00%
Urumchi Midong SPD Rural Bank Co., Ltd.	Urumchi, Xinjiang	Urumchi, Xinjiang	CNY 100,000,000	Establishment	51.00%
Tianjin Baodi SPD Rural Bank Co., Ltd.	Baodi, Tianjin	Baodi, Tianjin	CNY 100,000,000	Establishment	51.00%
Chongqing Tongliang SPD Rural Bank Co., Ltd.	Tongliang, Chongqing	Tongliang, Chongqing	CNY 50,000,000	Establishment	51.00%
Qianxinan yilong SPD Rural Bank Co., Ltd.	Yilong, Guizhou	Yilong, Guizhou	CNY 50,000,000	Establishment	51.00%
Fufeng SPD Rural Bank Co., Ltd.	Baoji, Shaanxi	Baoji, Shaanxi	CNY 50,000,000	Establishment	51.00%

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

(ii) Relevant information of major partly-owned subsidiaries

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

(iii) Disposal of subsidiaries

China International Fund Management was jointly established in 2004 by Shanghai International Trust, a controlling subsidiary of the bank, and JPMorgan Asset. Shanghai Trust held 51% of the shares and JPMorgan Asset held 49%. According to the asset and equity management regulations of the State-owned Assets Supervision and Administration Commission, in July 2019, Shanghai International Trust publicly listed and transferred 2% of the equity of China International Fund Management on the Shanghai United Assets and Equity Exchange. Afterwards, JPMorgan Asset was delisted with no less than RMB 241 million. In August 2020, Shanghai International Trust publicly listed and transferred 49% of the equity of China International Fund Management on the Shanghai United Assets and Equity Exchange. Afterwards, JPMorgan Asset was delisted

with no less than RMB 7 billion. As at the balance sheet date, Shanghai International Trust has completed the equity transaction of China International Fund Management with JPMorgan Asset.

(2) Interests in joint ventures and associates

(i) General information of major joint ventures and associates

<i>Name of the investee</i>	<i>Note</i>	<i>Place of main business</i>	<i>Place of registration</i>	<i>Strategic investment</i>	<i>Share- holding percentage (Direct)</i>	<i>Business nature</i>
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

2023

	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	134,215	89,228	33,607	35,024	22,552	26,518	8,349	18,555	(70,450)	297,598
<i>Including:</i>										
<i>External interest income</i>	120,161	61,110	23,118	24,075	21,122	24,469	6,503	17,040	-	297,598
<i>Internal interest income</i>	14,054	28,118	10,489	10,949	1,430	2,049	1,846	1,515	(70,450)	-
Interest expense	(98,699)	(56,081)	(24,264)	(22,433)	(11,760)	(15,652)	(5,225)	(15,507)	70,458	(179,163)
<i>Including:</i>										
<i>External interest expense</i>	(52,994)	(49,789)	(15,656)	(21,451)	(11,191)	(9,387)	(5,050)	(13,645)	-	(179,163)
<i>Internal interest expense</i>	(45,705)	(6,292)	(8,608)	(982)	(569)	(6,265)	(175)	(1,862)	70,458	-
Net interest income	35,516	33,147	9,343	12,591	10,792	10,866	3,124	3,048	8	118,435
Net fee and commission income / (expense)	12,181	4,416	2,796	944	811	(334)	(93)	3,733	(1)	24,453
Net trading income	16,099	760	325	312	187	341	25	1,540	(2)	19,587
Net gains arising from financial investments	3,644	-	-	-	-	-	-	3,478	-	7,122
Other operating income/ (expense)	126	77	93	84	24	112	5	3,488	(269)	3,740
Operating expenses	(18,144)	(11,563)	(4,226)	(5,563)	(4,020)	(4,940)	(1,891)	(5,922)	264	(56,005)
Impairment losses	(51,042)	(3,936)	(3,261)	(4,313)	(7,157)	(4,659)	706	(3,201)	-	(76,863)
Share of profits associates and joint ventures	186	-	-	-	-	-	-	37	-	223
Total segment (loss) / profit before tax	(1,434)	22,901	5,070	4,055	637	1,386	1,876	6,201	-	40,692

31 December 2023										
	<u>Headquarters</u>	<u>Yangtze River Delta</u>	<u>Pearl River Delta and West Side of Taiwan Strait</u>	<u>Bohai Rim</u>	<u>Central China</u>	<u>Western China</u>	<u>North-east China</u>	<u>Overseas and subsidiaries</u>	<u>Elimination</u>	<u>Total</u>
Loans and advances to customers	473,394	1,644,988	655,933	624,499	510,431	614,887	181,805	202,147	(3,388)	4,904,696
Total segment assets	<u>4,862,615</u>	<u>2,648,207</u>	<u>847,115</u>	<u>1,062,367</u>	<u>574,144</u>	<u>677,805</u>	<u>249,311</u>	<u>475,107</u>	<u>(2,389,424)</u>	<u>9,007,247</u>
Deposits from customers	(85,165)	(2,189,911)	(642,747)	(841,035)	(503,646)	(475,563)	(209,478)	(113,155)	356	(5,060,344)
Total segment assets	<u>(4,192,761)</u>	<u>(2,625,461)</u>	<u>(842,033)</u>	<u>(1,058,587)</u>	<u>(573,483)</u>	<u>(676,594)</u>	<u>(248,186)</u>	<u>(446,682)</u>	<u>2,389,424</u>	<u>(8,274,363)</u>
Net position of segment assets and liabilities	<u>669,854</u>	<u>22,746</u>	<u>5,082</u>	<u>3,780</u>	<u>661</u>	<u>1,211</u>	<u>1,125</u>	<u>28,425</u>	<u>-</u>	<u>732,884</u>

	2022									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Interest income	129,807	87,333	33,612	38,822	25,017	30,028	9,539	11,416	(66,054)	299,520
<i>Including:</i>										
<i>External interest income</i>	116,547	62,922	24,403	25,566	24,456	26,919	8,241	10,466	-	299,520
<i>Internal interest income</i>	13,260	24,411	9,209	13,256	561	3,109	1,298	950	(66,054)	-
Interest expense	(86,559)	(53,102)	(23,248)	(25,260)	(12,779)	(18,100)	(5,511)	(7,354)	66,062	(165,851)
<i>Including:</i>										
<i>External interest expense</i>	(54,828)	(45,298)	(14,154)	(21,501)	(10,326)	(8,755)	(4,675)	(6,314)	-	(165,851)
<i>Internal interest expense</i>	(31,731)	(7,804)	(9,094)	(3,759)	(2,453)	(9,345)	(836)	(1,040)	66,062	-
Net interest income	43,248	34,231	10,364	13,562	12,238	11,928	4,028	4,062	8	133,669
Net fee and commission income / (expense)	14,519	4,130	2,608	1,003	340	(666)	180	6,579	(2)	28,691
Net trading income	13,407	1,202	448	757	374	432	146	412	(6)	17,172
Net gains arising from financial investments	5,386	-	-	-	-	-	-	(73)	-	5,313
Other operating income/ (expense)	103	146	19	90	16	108	9	3,379	(209)	3,661
Operating expenses	(19,022)	(11,312)	(4,222)	(5,312)	(4,100)	(4,760)	(1,858)	(6,211)	209	(56,588)
Impairment losses	(35,643)	(8,218)	(4,196)	(2,838)	(7,928)	(14,028)	(1,391)	(1,757)	-	(75,999)
Share of profits associates and joint ventures	198	-	-	-	-	-	-	32	-	230
Total segment profit / (loss) before tax	22,196	20,179	5,021	7,262	940	(6,986)	1,114	6,423	-	56,149

31 December 2022										
	<u>Headquarters</u>	<u>Yangtze River Delta</u>	<u>Pearl River Delta and West Side of Taiwan Strait</u>	<u>Bohai Rim</u>	<u>Central China</u>	<u>Western China</u>	<u>North-east China</u>	<u>Overseas and subsidiaries</u>	<u>Elimination</u>	<u>Total</u>
Loans and advances to customers	553,520	1,538,543	611,277	631,186	515,155	570,421	189,937	190,514	(2,203)	4,798,350
Total segment assets	<u>4,700,936</u>	<u>2,454,245</u>	<u>754,000</u>	<u>958,945</u>	<u>576,903</u>	<u>621,781</u>	<u>266,418</u>	<u>441,247</u>	<u>(2,069,824)</u>	<u>8,704,651</u>
Deposits from customers	(82,640)	(2,101,837)	(621,945)	(846,142)	(489,845)	(444,747)	(205,831)	(101,606)	781	(4,893,812)
Total segment assets	<u>(4,048,318)</u>	<u>(2,434,215)</u>	<u>(748,895)</u>	<u>(951,537)</u>	<u>(575,835)</u>	<u>(628,896)</u>	<u>(265,383)</u>	<u>(414,621)</u>	<u>2,069,824</u>	<u>(7,997,876)</u>
Net position of segment assets and liabilities	<u>652,618</u>	<u>20,030</u>	<u>5,105</u>	<u>7,408</u>	<u>1,068</u>	<u>(7,115)</u>	<u>1,035</u>	<u>26,626</u>	<u>-</u>	<u>706,775</u>

V CONTINGENCIES AND COMMITMENTS

1 Credit commitments

The Group's credit commitments are listed as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Bank acceptance bills	679,362	729,985
Credit cards commitments	659,296	662,248
Other loan commitments	300,182	41,987
Letters of credit issued	261,517	236,245
Letters of guarantee issued	108,672	109,643
Total	<u>2,009,029</u>	<u>1,780,108</u>

2 Commitment on redemption of treasury bonds

The Group is entrusted by the MOF to underwrite certificate treasury bonds. The investors of these treasury bonds have a right to redeem the bonds in advance and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest. As at 31 December 2023, the outstanding principal value of the commitment on redemption treasury bonds sold by the Group amounted to RMB 4,665 million (31 December 2022: RMB 7,781 million). The original maturities of these treasury bonds vary from three to five years. The management expects the amount of bonds to be eventually redeemed by the Group before the maturity date will not be material.

3 Capital commitments

As at 31 December 2023, the major capital commitments the Group had signed but not paid amounted to RMB 10,395 million (31 December 2022: RMB 7,540 million). Additionally, as at 31 December 2023, the amount of the procurement plan of operating fixed assets that the Bank's subsidiaries had signed but not paid was RMB 2,324 million (31 December 2022: RMB 4,058 million). The finance lease contracts that have not yet commenced signed by the Bank's subsidiaries as lessors with the lessees amounted to RMB 11,311 million (31 December 2022: RMB 6,274 million).

As at 31 December 2023, the major capital commitments the Group had approved but not signed amounted to RMB 4,337 million (31 December 2022: RMB 5,330 million).

4 Legal proceedings

As at 31 December 2023, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 162 and 134, respectively. The corresponding amount involved was about RMB 4,212 million and RMB 610 million, respectively, the estimated compensation amount is approximately RMB 27 million (As at 31 December 2022, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 196 and 209, respectively. The corresponding amount involved was about RMB 7,800 million and RMB 314 million, respectively, the possibility of loss for other cases were assessed as not large).

VI FIDUCIARY BUSINESSES

The Group provides safe-keeping and entrusted loan businesses to independent third party customers. The assets arising from these businesses are not recorded on the Group's balance sheet. As at 31 December 2023, the balance of entrusted loan business was RMB 61,420 million (As at 31 December 2022: RMB 67,363 million).

VII RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

As at 31 December 2023 and 31 December 2022 major shareholders holding more than 5% ordinary shares of the Bank are as follows:

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

2 Other shareholders who exert significant influence on the Bank

As of December 31, 2023 and 2022, other shareholders exerting significant influence on the Bank include:

	Direct shareholding percentage	<u>Major Business</u>
China National Tobacco Corporation Jiangsu Branch	0.78%	Tobacco products

3 Subsidiaries

For general information of the Group's subsidiaries, please refer to Note III. 38(1) "Interests in other entities".

4 Joint ventures and associates

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

5 Other major related parties

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

6 Transactions and balances with related parties

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

	<u>Major shareholders</u>	<u>Joint ventures and associates</u>	<u>Other major related parties - group companies of major shareholders (exclusive)</u>	<u>Other major related parties - companies with significant influence by key management personnel (exclusive)</u>	<u>Other major related parties - individuals</u>	<u>Total</u>	<u>Proportion of relevant transactions and balances</u>
Amounts of significant transactions from 1 January 2023 to 31 December 2023 are listed below:							
Interest income	-	-	373	27	1	401	0.13%
Interest expense	(330)	(16)	(1,513)	(65)	(1)	(1,925)	1.07%
Net Fee and commission income	7	1	35	6	1	50	0.16%
Net trading income	-	137	(16)	294	-	415	1.55%
Share of profits associates and joint ventures	-	223	-	-	-	223	100.00%
Operating expenses	(11)	-	(328)	-	-	(339)	0.61%
Other comprehensive income	1	-	-	-	-	1	0.02%

	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 relevant transactions and balances
Significant item balances at 31 December 2023:							
Deposits and placements with banks and other financial institutions	-	-	9,127	2,055	-	11,182	2.01%
Loans and advances to customers	-	-	2,438	997	17	3,452	0.07%
Derivative financial assets	-	11	48	379	-	438	0.78%
Financial investments measured at:							
- Financial investments measured at FVTPL	-	-	-	3,049	-	3,049	0.39%
- FVOCI	371	-	518	956	-	1,845	0.30%
Investments in associates and Joint Ventures	-	2,825	-	-	-	2,825	100.00%
Other Assets	-	-	2	-	-	2	0.01%
Deposits and placements from banks and other financial institutions	-	(1,596)	(25,092)	(4,593)	-	(31,281)	2.42%
Derivative financial liabilities	-	(19)	(28)	(279)	-	(326)	0.62%
Deposits from customers	(6,047)	-	(41,294)	-	(27)	(47,368)	0.94%
Other liabilities	(2)	-	(8)	-	-	(10)	0.03%

	<u>Major shareholders</u>	<u>Joint ventures and associates</u>	<u>Other major related parties - group companies of major shareholders (exclusive)</u>	<u>Other major related parties - companies with significant influence by key management personnel (exclusive)</u>	<u>Other major related parties - individuals</u>	<u>Total</u>	<u>Proportion of relavent transactions and balances</u>
Significant off-balance item at 31 December 2023							
Letters of guarantee issued	-	-	94	-	-	94	0.09%
Credit card commitment	-	-	-	-	13	13	0.01%
Entrusted loan	-	-	1,338	-	-	1,338	2.18%
Guarantees provided for credit business	-	-	3,562	-	-	3,562	0.12%
Bank acceptance bills	-	-	457	-	-	457	0.07%
Investment of funds for issuing financial products	-	-	-	200	-	200	0.02%
Notional principal of derivative financial instruments	-	2,440	9,544	63,349	-	75,333	0.99%

Note1: As of 31 December 2023, key management of the Bank possessed a total number of 659,600 shares of common stock issued by the bank and regularly received corresponding cash dividends.

Note2: On 31 December 2023, China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - significant influence by key management personnel (exclusive)	Other major related parties - companies with individuals	<u>Total</u>	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2022 to 31 December 2022 are listed below:							
Interest income	-	-	54	70	1	125	0.04%
Interest expense	(500)	(28)	(1,316)	(208)	(1)	(2,053)	1.24%
Net Fee and commission income	1	34	4	7	1	47	0.12%
Net trading income	-	(18)	(15)	(10)	-	(43)	-0.25%
Share of profits associates and joint ventures	-	230	-	-	-	230	100.00%
Operating expenses	(11)	-	(228)	-	-	(239)	0.42%
Other comprehensive income	1	-	-	1	-	2	-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 2022:							
Deposits and placements with banks and other financial institutions	-	-	-	75	-	75	0.01%
Loans and advances to customers	-	-	1,555	1,729	23	3,307	0.07%
Derivative financial assets	-	1	-	218	-	219	0.51%
Financial investments measured at:							
- Financial investments measured at FVTPL	-	-	-	3,316	-	3,316	0.47%
- Financial investments measured at amortized cost	-	-	-	447	-	447	0.04%
- FVOCI	101	-	518	1,007	-	1,626	0.25%
Investments in associates and Joint Ventures	-	2,655	-	-	-	2,655	100.00%
Other Assets	-	-	2	-	-	2	0.01%
Deposits and placements from banks and other financial institutions	-	(1,463)	(15,097)	(2,496)	-	(19,056)	1.71%
Derivative financial liabilities	-	(18)	-	(177)	-	(195)	0.52%
Deposits from customers	(6,197)	(4,066)	(41,256)	(13,534)	(1)	(65,054)	1.33%
Other liabilities	(1)	-	(37)	-	-	(38)	0.07%

	Major 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 relevant transactions and balances
Significant off-balance item at 31 December 2022							
Letters of guarantee issued	-	-	107	-	-	107	0.10%
Credit card commitment	-	-	-	-	12	12	0.01%
Guarantees provided for credit business	-	-	400	8,639	-	9,039	0.32%
Bank acceptance bills	-	-	67	-	-	67	0.01%
Investment of funds for issuing financial products	-	-	-	1,240	-	1,240	0.13%
Notional principal of derivative financial instruments	-	919	-	59,192	-	60,111	0.98%

Note1: As of 31 December 2022, key management of the Bank possessed a total number of 1,290,600 shares of common stock issued by the bank and regularly received corresponding cash dividends.

Note2: On 31 December 2022, China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank

7 Related parties that are controlled by the Bank

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

Balances at the year end:	<u>31 December 2023</u>	<u>31 December 2022</u>
Deposits and placements with banks and other financial institutions	9,474	6,851
Loans and advances to customers	3,388	2,203
Financial investment measured at FVOCI	1	252
Deposits and placements from banks and other financial institutions	11,055	13,424
Derivative financial liabilities	8	16
Deposits from customers	356	781
Others	(86)	99
Transactions during the year:	<u>2023</u>	<u>2022</u>
Interest income from deposits and placements from banks and other financial institutions	207	120
Net trading loss	(8)	16
Interest income from loans and advances to customers	140	81
Interest income from financial investment measured at FVOCI	8	13
Interest expenses on deposits from banks and other financial institutions	281	362
Interest expenses on deposits from customers	8	6
Fee and commission income	83	46
Fee and commission expense	43	1,839
Other operating net income	4	6
Operating expenses	257	201

8 Compensation of key management personnel

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

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

	<u>2023</u>	<u>2022</u>
Compensation of key management personnel	<u>17</u>	<u>20</u>

The Compensation of key management personnel are remuneration without social insurance paid in 2023 to the directors, supervisor and senior management of the Bank in past 12 months or will do so in the next 12 months according to the relevant contract arrangement.

9 Transactions with the annuity plan

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

10 Major credit related transactions to related parties

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

In 2023, the newly added major credited related transactions between the Bank and related parties outside the Group are as follows:

<u>Related Parties</u>	<u>Total credit limit to related parties and other companies in their group</u>
China National Tobacco Corporation	27,000
Guotai Junan Securities Co., Ltd.	24,600
Shanghai International Group Co., Ltd.	23,040
Bailian Group Co., Ltd.	13,000
China Mobile Communications Group Co., Ltd.	9,000

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

VIII FINANCIAL RISK MANAGEMENT

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

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

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

The Board of Directors of the Bank is responsible for determining the Group's overall risk appetite. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk.

After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for the implementation.

1 Credit risk

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

(1) Credit risk management

(i) Loans

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

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

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

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

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

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

<u>Collaterals or pledged assets</u>	<u>Maximum loan-to-value ratio</u>
Time deposits	90% - 100%
Government bonds	90% - 100%
Financial bonds	95%
Corporate bonds (including financial institutions)	80%
Right to collect fees	60% - 70%
Franchise right	50%
Commercial property and standard plant	60%
Residential property	70%
Land use right	50% - 60%

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

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

(ii) Bonds and other bills

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

(iii) Other financial assets measured at amortized cost

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

(iv) Inter-bank transactions

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

(v) Derivative financial instruments

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

(vi) Credit commitments

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

(vii) Trust plan

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

(2) Credit risk measurement

The Group managed the quality of credit assets in accordance with the Guidelines for Risk-based Loan Classification (Yin Jian Fa [2007] No.54) during the period from 1 January 2023 to 30 June 2023. The Group managed the quality of relevant financial assets (including credit assets) based on the Measures for the Risk-based Classification of Financial Assets by Commercial Banks (Decree [2023] No. 1 of the China Banking and Insurance Regulatory Commission ("CBIRC") and the People's Bank of China ("PBC")) since 1 July 2023. During the reporting period, the Group classified the relevant financial assets into five categories, including: pass, special-mention, substandard, doubtful and loss, among which credit assets with the grading of substandard, doubtful and loss are regarded as non-performing loans

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

(3) ECL measurement

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

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

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

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

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

Credit risk grading

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

The Group has no financial assets recognized as "low risk" and subject to credit risk management in accordance with the relevant requirements of the Enterprise Accounting Standards.

Stage division

Significant increase in credit risk ("SICR")

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

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

Quantitative criteria:

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

Qualitative criteria:

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

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

Upper limit:

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

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

Default and credit-impaired

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

Qualitative criteria:

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

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

Upper limit:

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

The criteria above have been applied to all financial instruments held by the Group and are consistent with internal credit risk management purposes. The default definition has been consistently applied to establish models for the PD, Exposure at

Default (EAD) and Loss given Default (LGD) throughout the Group's ECL measurement.

Grouping of credit risk exposure

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

Explanation of parameters, assumptions and estimation techniques of ECL model

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

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

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

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

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

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

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

Forward-looking information incorporated in the ECL model

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

The Group has selected a series of macroeconomic indicators based on industry best practices and the Group's internal experts' judgement, and has formed forecasts of macroeconomic indicators under multiple scenarios such as standard, optimistic and pessimistic. The Group also establishes statistical relationship between actual PD and macro indicators for each model exposure, and calculates the actual default probability by using forecasted economic indicators.

The number and attributes of scenarios are reassessed at each reporting date. The scenario weightings are determined by combination of statistical analysis and expert judgement, taking into account of the range of possible outcomes represented by scenarios, and the baseline scenario weighting accounts for the highest proportion at the end of the period. The Group adopts the base and lifetime PD/LGD with scenario weightings, along with qualitative and upper limit criteria to determine whether the credit risk has increased significantly. The determination of financial instrument stage indicates the measurement of the loss allowance at an amount equal to the 12-month or lifetime ECL accordingly. The Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

Macroeconomic information used by the Group includes macro indicators such as gross domestic product (GDP), consumer price index (CPI) and producer price index (PPI). The GDP year-on-year growth rate for 2023 under the standard scenario is 4.80%, and the GDP year-on-year growth rate for 2023 under the optimistic and pessimistic scenarios are formed by adjusting upward and downward by a certain level, respectively, from the standard scenario projections.

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

Combination method for evaluation of expected credit risk

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

Corporate loans and financial investments

- Industry
- Collateral type

Retail loans

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

Assessment of ECLs on other receivables

Loss allowances for suspense accounts, margin deposits and other receivables are measured at an amount equal to lifetime ECLs. The Group uses the ECL model to calculate the ECLs on the above financial assets based on the historical credit loss experience, and the related methodology is the same as the "ECL measurement" in this section.

(4) Maximum exposure to credit risk

Financial assets and guarantee commitment subject to impairment

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

	31 December 2023			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
Cash and balances with central bank	530,798	-	-	530,798
Deposits and placements with banks and other financial institutions	529,700	-	-	529,700
Financial assets purchased under resale agreements	44,719	-	-	44,719
Loans and advances to customers measured at				
- Amortized cost	4,314,830	178,093	33,241	4,526,164
- FVOCI	367,765	2,965	18	370,748
Financial investments measured at				
- Amortized cost	1,189,091	25,646	56,345	1,271,082
- FVOCI	614,041	1,497	2,479	618,017
Other financial assets	58,330	137	3,313	61,780
Total	7,649,274	208,338	95,396	7,953,008

	31 December 2022			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Cash and balances with central bank	451,545	-	-	451,545
Deposits and placements with banks and other financial institutions	520,603	-	-	520,603
Financial assets purchased under resale agreements	111,411	-	-	111,411
Loans and advances to customers measured at				
- Amortized cost	4,124,772	114,014	30,804	4,269,590
- FVOCI	467,913	609	15	468,537
Financial investments measured at				
- Amortized cost	1,110,862	33,764	52,065	1,196,691
- FVOCI	638,547	1,304	2,067	641,918
Other financial assets	52,218	204	4,111	56,533
Total	<u>7,477,871</u>	<u>149,895</u>	<u>89,062</u>	<u>7,716,828</u>

	31 December 2023 Maximum exposure to credit risk	31 December 2022 Maximum exposure to credit risk
Commitment and guarantee		
Bank acceptance notes	678,155	727,909
Credit cards commitments	654,332	658,618
Other loan commitments	298,859	41,938
Letters of credit issued	261,413	235,945
Letters of guarantee issued	108,544	109,469
Total	<u>2,001,303</u>	<u>1,773,879</u>

Financial assets not included in impairment assessment

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

	31 December 2023 Maximum exposure to credit risk	31 December 2022 Maximum exposure to credit risk
Financial investments measured at FVTPL		
Trading assets	780,226	708,984
Derivative financial assets	56,311	42,829
Loans and advances to customers	7,784	60,223
Total	<u>844,321</u>	<u>812,036</u>

(5) Credit-impaired loans and advances to customers

The Group closely monitors collateral held for financial assets considered to be credit-impaired, because the Group is more likely to confiscate these collateral to reduce potential credit losses comparing to other collaterals. As at 31 December 2023, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 101,538 million (31 December 2022: RMB 86,212 million), in which the loans covered by collaterals are amounting to RMB 51,023 million (31 December 2022: RMB 33,530 million).

(6) Bonds and other investments

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

31 December 2023				
	Financial investments measured at <u>FVTPL</u>	Financial investments measured at <u>amortized cost</u>	Financial investments measured at <u>FVOCI</u>	<u>Total</u>
Medium or long term				
AAA	17,800	557,419	192,382	767,601
AA+ to AA-	29	5,276	18,598	23,903
A+ to A-	259	1,658	17,586	19,503
Below A-	14	6,549	33,220	39,783
Short term				
AAA	1,501	12,482	2,986	16,969
AA+ to AA-	383	155	2,746	3,284
A and below A	1,588	1,396	22,233	25,217
Unrated-Bonds	213,564	686,147	328,266	1,227,977
	<u>235,138</u>	<u>1,271,082</u>	<u>618,017</u>	<u>2,124,237</u>

31 December 2022				
	Financial investments measured at <u>FVTPL</u>	Financial investments measured at <u>amortized cost</u>	Financial investments measured at <u>FVOCI</u>	<u>Total</u>
Medium or long term				
AAA	19,215	568,206	133,477	720,898
AA+ to AA-	2,989	4,101	14,486	21,576
A+ to A-	327	6,117	22,596	29,040
Below A-	726	5,136	28,738	34,600
Short term				
AAA	3,823	10,475	1,188	15,486
AA+ to AA-	518	-	-	518
A and below A	115	1,370	-	1,485
Unrated-Bonds	208,840	601,286	441,433	1,251,559
	<u>236,553</u>	<u>1,196,691</u>	<u>641,918</u>	<u>2,075,162</u>

2 Market risk

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

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

Meanwhile, the Group's market risk management follows the principle of combining internal control with external supervision. Relevant business units are responsible for executing the daily control activities, together with the market risk management department, compliance department, and review department, form the three lines of defense for market risk management.

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

(1) Currency risk

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

	31 December 2023				
	<u>RMB</u>	<u>USD</u> Into RMB	<u>HKD</u> Into RMB	<u>Others</u> Into RMB	<u>Total</u> Into RMB
Cash and deposits with central bank	496,759	39,332	705	335	537,131
Deposits and placements with banks and other financial institutions	432,315	79,407	3,841	14,137	529,700
Derivative financial assets	53,257	3,020	9	25	56,311
Financial assets purchased under resale agreements	34,151	10,568	-	-	44,719
Loans and advances to customers	4,743,406	115,548	29,967	15,775	4,904,696
Financial investments:					
- FVTPL	771,404	8,811	-	11	780,226
- AC	1,255,468	14,776	691	147	1,271,082
- FVOCI	503,395	111,498	4,580	5,274	624,747
Other financial assets	55,857	4,652	1,268	3	61,780
Total financial assets	8,346,012	387,612	41,061	35,707	8,810,392
Borrowing from central bank	235,242	-	-	-	235,242
Deposits and placements from banks and other financial institutions	1,162,938	94,148	16,818	12,592	1,286,496
Financial liabilities measured at FVTPL	10,207	-	-	-	10,207
Derivative financial liabilities	50,979	1,299	9	6	52,293
Financial assets sold under repurchase agreement	502,717	16,338	-	729	519,784
Deposits from customers	4,811,052	228,368	16,448	4,476	5,060,344
Debt securities issued	986,427	23,200	1,939	87	1,011,653
Lease Liabilities	5,888	3	914	66	6,871
Other financial liabilities	27,199	2,258	502	1,282	31,241
Total financial liabilities	7,792,649	365,614	36,630	19,238	8,214,131
Net position of financial instruments	553,363	21,998	4,431	16,469	596,261
Currency derivatives	25,055	(16,115)	(761)	(11,567)	(3,388)
Credit commitments	1,955,729	34,139	6,134	5,301	2,001,303

	31 December 2022				
	<u>RMB</u>	<u>USD</u> Into RMB	<u>HKD</u> Into RMB	<u>Others</u> Into RMB	<u>Total</u> Into RMB
Cash and deposits with central bank	410,885	41,178	4,774	252	457,089
Deposits and placements with banks and other financial institutions	393,830	98,303	5,881	22,589	520,603
Derivative financial assets	38,160	4,614	3	52	42,829
Financial assets purchased under resale agreements	111,395	16	-	-	111,411
Loans and advances to customers	4,609,625	132,841	38,499	17,385	4,798,350
Financial investments:					
- FVTPL	699,988	8,996	-	-	708,984
- AC	1,174,049	22,410	-	232	1,196,691
- FVOCI	535,992	106,628	3,740	3,428	649,788
Other financial assets	29,226	21,730	3,897	1,680	56,533
Total financial assets	8,003,150	436,716	56,794	45,618	8,542,278
Borrowing from central bank	165,133	-	-	-	165,133
Deposits and placements from banks and other financial institutions	842,710	145,542	18,646	19,902	1,026,800
Financial liabilities measured at FVTPL	10,238	-	-	-	10,238
Derivative financial liabilities	36,047	1,460	16	3	37,526
Financial assets sold under repurchase agreement	337,259	8,743	4,166	-	350,168
Deposits from customers	4,636,107	229,607	16,633	11,465	4,893,812
Debt securities issued	1,291,088	33,804	5,412	-	1,330,304
Lease Liabilities	6,907	1	859	65	7,832
Other financial liabilities	30,571	1,214	278	1,350	33,413
Total financial liabilities	7,356,060	420,371	46,010	32,785	7,855,226
Net position of financial instruments	647,090	16,345	10,784	12,833	687,052
Currency derivatives	15,543	(12,119)	(6,085)	(6,027)	(8,688)
Credit commitments	1,707,794	55,080	4,890	6,115	1,773,879

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

Net profit	31 December 2023		31 December 2022	
	Exchange rate fluctuation %		Exchange rate fluctuation %	
(Decrease) / Increase	-1%	1%	-1%	1%
USD against RMB	(44)	44	(32)	32
Other currencies against RMB	(64)	64	(86)	86

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

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

(2) Interest rate risk

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

Interest rate risk of bank book refers to the risk that adverse changes in interest rate level and term structure will lead to loss of economic value and overall income of bank book. The Group has established a sound interest rate risk management system for bank books, which enables the Group to manage the interest rate risk of bank book centrally. The Group measures and monitors interest rate risk in trading accounts using value-at-risk and sensitivity analysis etc. The senior management of the Bank is responsible for developing the appropriate management mechanism for interest rate risk in the banking book, the organizational structure, systems and processes in accordance with the risk appetites for interest rate risk in the banking book approved by the Board of Directors to ensure the achievement of management objectives; The Asset and Liability Management Department of the Head Office of the Bank is responsible for taking the lead in the organization and implementation on the identification, measurement, monitoring, control and mitigation management of daily risks; The Audit Department of the Head Office of the Bank is responsible for performing the internal audit on interest rate risk in the banking book independently.

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

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

	31 December 2023						
	<u>Within a month</u>	<u>1 to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Non-interest bearing</u>	<u>Total</u>
Assets							
Cash and deposits with central bank	524,207	-	-	-	-	12,924	537,131
Deposits and placements with banks and other financial institutions	142,945	85,660	265,578	30,727	-	4,790	529,700
Derivative financial assets	-	-	-	-	-	56,311	56,311
Financial assets purchased under resale agreements	38,376	5,913	354	-	-	76	44,719
Loans and advances to customers	1,049,042	839,142	2,109,744	784,271	107,131	15,366	4,904,696
Financial investments measured at:							
- FVTPL	14,925	16,307	44,281	32,693	13,855	658,165	780,226
- Amortized cost	109,745	37,224	104,277	449,164	552,955	17,717	1,271,082
- FVOCI	11,889	24,925	108,668	332,444	132,652	14,169	624,747
Other financial assets	3,628	-	21,448	-	-	36,704	61,780
Total financial assets	<u>1,894,757</u>	<u>1,009,171</u>	<u>2,654,350</u>	<u>1,629,299</u>	<u>806,593</u>	<u>816,222</u>	<u>8,810,392</u>
Liabilities							
Borrowing from central bank	11,931	43,220	177,947	-	-	2,144	235,242
Deposits and placements from banks and other financial institutions	983,507	119,712	165,830	7,039	5,246	5,162	1,286,496
Financial liabilities measured at FVTPL	-	-	-	-	-	10,207	10,207
Derivative financial liabilities	-	-	-	-	-	52,293	52,293
Financial assets sold under repurchase agreements	427,039	29,481	63,009	-	-	255	519,784
Deposits from customers	2,886,979	437,437	737,225	922,981	8	75,714	5,060,344
Debt securities issued	42,718	221,995	483,405	176,795	81,079	5,661	1,011,653
Lease Liabilities	319	438	1,938	3,977	199	-	6,871
Other financial liabilities	408	1,526	1,916	-	-	27,391	31,241
Total financial liabilities	<u>4,352,901</u>	<u>853,809</u>	<u>1,631,270</u>	<u>1,110,792</u>	<u>86,532</u>	<u>178,827</u>	<u>8,214,131</u>
Total interest repricing gap	<u>(2,458,144)</u>	<u>155,362</u>	<u>1,023,080</u>	<u>518,507</u>	<u>720,061</u>	<u>637,395</u>	<u>596,261</u>

	31 December 2022					Non-interest bearing	Total
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets							
Cash and deposits with central bank	438,508	-	-	-	-	18,581	457,089
Deposits and placements with banks and other financial institutions	157,534	64,404	203,168	91,624	-	3,873	520,603
Derivative financial assets	-	-	-	-	-	42,829	42,829
Financial assets purchased under resale agreements	111,411	-	-	-	-	-	111,411
Loans and advances to customers	1,395,798	630,198	1,770,381	886,827	99,375	15,771	4,798,350
Financial investments measured at:							
- FVTPL	16,637	14,019	45,332	34,596	10,930	587,470	708,984
- Amortized cost	61,446	13,788	109,933	548,664	448,477	14,383	1,196,691
- FVOCI	9,359	25,301	189,497	328,630	82,285	14,716	649,788
Other financial assets	3,790	-	14,368	-	-	38,375	56,533
Total financial assets	2,194,483	747,710	2,332,679	1,890,341	641,067	735,998	8,542,278
Liabilities							
Borrowing from central bank	9,928	13,211	140,686	-	-	1,308	165,133
Deposits and placements from banks and other financial institutions	780,456	101,955	136,115	5,072	239	2,963	1,026,800
Financial liabilities measured at FVTPL	-	-	-	-	-	10,238	10,238
Derivative financial liabilities	-	-	-	-	-	37,526	37,526
Financial assets sold under repurchase agreements	283,601	42,179	24,291	-	-	97	350,168
Deposits from customers	2,834,624	411,040	726,397	854,409	8	67,334	4,893,812
Debt securities issued	63,213	316,452	565,582	257,727	121,091	6,239	1,330,304
Lease Liabilities	332	446	2,043	4,674	337	-	7,832
Other financial liabilities	441	230	2,383	-	-	30,359	33,413
Total financial liabilities	3,972,595	885,513	1,597,497	1,121,882	121,675	156,064	7,855,226
Total interest repricing gap	(1,778,112)	(137,803)	735,182	768,459	519,392	579,934	687,052

Note: The above financial assets listed as within one month include overdue amounts as of December 31, 2023 and December 31, 2022 (excluding impairment provisions).

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

	31 December 2023		31 December 2022	
	Interest rate fluctuation (Basis points)		Interest rate fluctuation (Basis points)	
	-100	+100	-100	+100
Increase / (decrease) in net profit	2,454	(2,454)	3,487	(3,487)
Increase / (decrease) in other comprehensive income under equity	13,036	(12,292)	8,213	(7,703)

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

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

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

3 Liquidity risk

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

The Group has established a relatively complete liquidity risk governance system. The senior management of the Bank is responsible for developing appropriate liquidity risk management mechanisms, organisational structures, systems and processes, risk limits, key assumptions for stress test, and emergency plans based on the liquidity risk appetite approved by the board of directors, to ensure the Bank achieves its management objectives. The Asset and Liability Management Committee of the Bank is responsible for reviewing liquidity risk management strategies, risk limits, key assumptions for stress test, etc. Asset-Liability Management Department of the Headquarters of the Bank is responsible for drafting liquidity risk management policies and procedures at a group level and leading specific management of the liquidity risk management, such as qualitative and quantitative analysis. Audit Department of the the Headquarters of the Bank is responsible for the internal audit on liquidity risks. The Group has a prudent liquidity risk preference which complies with the regulatory requirements and management requirements of the Group.

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

During the Reporting Period, the Group implemented forward-looking and proactive management of liquidity risk at different levels in accordance with the requirements of the balance in the total amount and structure; it carries out real-time monitoring on daily position accounts in local and foreign currencies, and made centralised allocation of positions in local and foreign currencies; it established a beforehand declaration system for large-amount positions, and established a monitoring mechanism for total liquidity level; it prepared a cash flow gap table on a daily basis, used the gap management method to predict cash flow gap changes in future assets and liabilities's on and off-balance sheet items, and conducted liquidity risk assessments on both internal and external items of the statement of financial position in a timely manner, and in accordance with the liquidity risk policy and risk limit requirements of the Group, adjust the total amount, structure, and pace of the Group's business development to meet the requirements of liquidity safety through active financing arrangements and asset liability portfolio adjustments.

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

	31 December 2023								
	<u>Repayable on demand</u>	<u>Within 1 months</u>	<u>1 to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Overdue</u>	<u>No maturity</u>	<u>Total</u>
Assets									
Cash and deposits with central bank	212,708	-	165	-	-	-	-	324,258	537,131
Deposits and placements with banks and other financial institutions	66,363	78,809	87,194	272,309	32,432	-	-	-	537,107
Financial assets purchased under resale agreements	-	38,466	5,990	360	-	-	-	-	44,816
Loans and advances to customers	-	526,570	651,953	1,450,912	1,439,459	1,439,010	101,327	-	5,609,231
Financial investments measured at:									
- FVTPL	634,663	8,164	22,548	46,655	35,031	15,790	3,026	21,925	787,802
- Amortized cost	-	54,230	43,127	129,695	554,973	665,505	83,533	-	1,531,063
- FVOCI	-	12,902	27,883	125,609	374,256	144,568	183	6,730	692,131
Other financial assets	40,387	-	-	-	-	-	7,689	21,483	69,559
Total financial assets	<u>954,121</u>	<u>719,141</u>	<u>838,860</u>	<u>2,025,540</u>	<u>2,436,151</u>	<u>2,264,873</u>	<u>195,758</u>	<u>374,396</u>	<u>9,808,840</u>
Liabilities									
Borrowing from central bank	-	12,245	44,293	181,295	-	-	-	-	237,833
Deposits and placements from banks and other financial institutions	791,484	194,355	121,504	169,652	7,886	7,312	-	-	1,292,193
Financial liabilities measured at FVTPL	1,780	-	-	849	4,352	3,226	-	-	10,207
Financial assets sold under repurchase agreements	-	427,181	29,600	63,415	-	-	-	-	520,196
Deposits from customers	2,210,213	709,106	452,075	772,045	1,047,980	10	-	-	5,191,429
Debt securities issued	-	56,067	227,407	488,500	246,928	91,736	-	-	1,110,638
Lease Liabilities	-	319	441	1,967	4,285	252	-	-	7,264
Other financial liabilities	26,393	94	1,768	2,354	1,285	831	-	-	32,725
Total financial liabilities	<u>3,029,870</u>	<u>1,399,367</u>	<u>877,088</u>	<u>1,680,077</u>	<u>1,312,716</u>	<u>103,367</u>	<u>-</u>	<u>-</u>	<u>8,402,485</u>
Net liquidity	<u>(2,075,749)</u>	<u>(680,226)</u>	<u>(38,228)</u>	<u>345,463</u>	<u>1,123,435</u>	<u>2,161,506</u>	<u>195,758</u>	<u>374,396</u>	<u>1,406,355</u>
Derivative financial instruments									
- Inflow	-	147,599	118,700	197,506	42,847	47	-	-	506,699
- Outflow	-	147,392	117,101	197,523	42,119	75	-	-	504,210
Net value of derivative financial instruments	<u>-</u>	<u>207</u>	<u>1,599</u>	<u>(17)</u>	<u>728</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>2,489</u>
Credit commitments	672,462	147,386	293,865	582,519	89,347	223,450	-	-	2,009,029

	31 December 2022								
	Repayable on demand	Within 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets									
Cash and deposits with central bank	111,023	-	171	-	-	-	-	345,895	457,089
Deposits and placements with banks and other financial institutions	126,368	23,613	74,486	209,369	96,200	-	-	-	530,036
Financial assets purchased under resale agreements	-	111,474	-	-	-	-	-	-	111,474
Loans and advances to customers	-	481,208	688,805	1,303,271	1,341,820	1,480,388	107,907	-	5,403,399
Financial investments measured at:									
- FVTPL	568,330	9,359	30,262	48,406	38,710	14,595	1,237	19,140	730,039
- Amortized cost	-	26,249	18,221	137,783	665,178	538,692	54,108	-	1,440,231
- FVOCI	-	4,432	33,198	205,497	369,450	92,898	806	7,870	714,151
Other financial assets	39,680	-	-	-	-	-	7,804	14,403	61,887
Total financial assets	<u>845,401</u>	<u>656,335</u>	<u>845,143</u>	<u>1,904,326</u>	<u>2,511,358</u>	<u>2,126,573</u>	<u>171,862</u>	<u>387,308</u>	<u>9,448,306</u>
Liabilities									
Borrowing from central bank	-	2,038	21,707	144,173	-	-	-	-	167,918
Deposits and placements from banks and other financial institutions	564,341	166,617	154,116	139,124	5,695	293	-	-	1,030,186
Financial liabilities measured at FVTPL	6,646	-	-	-	3,099	493	-	-	10,238
Financial assets sold under repurchase agreements	-	283,708	42,375	24,471	-	-	-	-	350,554
Deposits from customers	2,117,549	743,221	429,450	761,414	983,266	10	-	-	5,034,910
Debt securities issued	-	63,442	322,760	586,704	341,481	137,072	-	-	1,451,459
Lease Liabilities	-	333	449	2,075	5,058	442	-	-	8,357
Other financial liabilities	28,471	36	1,256	1,529	1,468	720	-	-	33,480
Total financial liabilities	<u>2,717,007</u>	<u>1,259,395</u>	<u>972,113</u>	<u>1,659,490</u>	<u>1,340,067</u>	<u>139,030</u>	<u>-</u>	<u>-</u>	<u>8,087,102</u>
Net liquidity	<u>(1,871,606)</u>	<u>(603,060)</u>	<u>(126,970)</u>	<u>244,836</u>	<u>1,171,291</u>	<u>1,987,543</u>	<u>171,862</u>	<u>387,308</u>	<u>1,361,204</u>
Derivative financial instruments									
- Inflow	-	80,568	67,008	127,188	42,081	97	-	-	316,942
- Outflow	-	80,133	66,653	124,007	40,822	56	-	-	311,671
Net value of derivative financial instruments	<u>-</u>	<u>435</u>	<u>355</u>	<u>3,181</u>	<u>1,259</u>	<u>41</u>	<u>-</u>	<u>-</u>	<u>5,271</u>
Credit commitments	674,372	124,382	228,201	705,794	44,719	2,640	-	-	1,780,108

4 Fair value of financial instruments

(1) Fair value hierarchy

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

- Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities. The financial instruments of this level include listed equity securities, debt instruments and open-end fund investments;
- Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities. The financial instruments of this level include most Over-the-Counter ("OTC") derivatives and bonds. The sources of the yield curve or counterparty credit risk input value parameters are Thomson Reuters, Bloomberg and ChinaBond.com.
- Level 3 inputs: inputs that are unobservable for underlying assets or liabilities. The financial instruments of this level include equity instruments and debt instruments with significant non-observable components.

(2) Financial instruments not measured at fair value

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

The book value and corresponding fair value of financial investment not measured at fair value (financial investment measured at amortized cost) and bonds issued as at 31 December 2022 and 31 December 2021 are listed in the following table.

31 December 2023					
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial investment measured at amortized cost	1,271,082	-	995,423	367,242	1,362,665
Financial liabilities:					
Debt securities issued	1,011,653	-	1,008,697	-	1,008,697
31 December 2022					
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial investment measured at amortized cost	1,196,691	-	807,715	398,823	1,206,538
Financial liabilities:					
Debt securities issued	1,330,304	-	1,321,274	-	1,321,274

(i) Financial investment measured at amortized cost

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

(ii) Debt securities issued

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

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

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

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

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	433,741	643	222	434,606
- Bonds	29	99,269	1,096	100,394
- Beneficiary certificates	-	39,723	-	39,723
- Equity	2,904	-	14,425	17,329
- Fund trust and asset management plan	-	10,563	4,238	14,801
- Interbank Certificates of Deposit	-	3,303	-	3,303
- ABS	-	2,210	80	2,290
- Other	80,614	75,879	11,287	167,780
Financial investments measured at FVOCI				
- Bonds	55,775	515,043	-	570,818
- Interbank Certificates of Deposit	-	33,438	-	33,438
- ABS	-	6,302	-	6,302
- Repossessed equity instruments	1	-	1,565	1,566
- Asset management plan	-	-	20	20
- Other equity investments	-	-	5,164	5,164
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	308,160	-	308,160
- Trade financing	-	62,588	-	62,588
FVTPL				
- Discounted bills	-	5,662	-	5,662
- Trade financing	-	2,122	-	2,122
Derivative financial assets	-	56,311	-	56,311
Total financial assets	573,064	1,221,216	38,097	1,832,377
Derivative financial liabilities	-	52,293	-	52,293
Financial liabilities measured at FVTPL				
- Financial liabilities associated with short selling of bonds	7,750	-	-	7,750
- Interest of other unit holders in consolidated structured entities	1,661	119	558	2,338
- Financial liabilities related to precious metals	119	-	-	119
Total financial liabilities	9,530	52,412	558	62,500

	31 December 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial investments:				
Financial investments measured at FVTPL				
- Fund	356,881	428	876	358,185
- Bonds	1,609	104,312	853	106,774
- Beneficiary certificates	-	20,348	-	20,348
- Equity	3,844	-	15,296	19,140
- Fund trust and asset management plan	-	8,315	5,797	14,112
- Interbank Certificates of Deposit	-	5,296	-	5,296
- ABS	-	4,683	-	4,683
- Other	86,696	86,057	7,693	180,446
Financial investments measured at FVOCI				
- Bonds	50,872	490,279	-	541,151
- Interbank Certificates of Deposit	-	91,035	-	91,035
- ABS	-	2,886	-	2,886
- Repossessed equity instruments	202	-	2,498	2,700
- Other equity investments	-	-	5,170	5,170
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	399,810	-	399,810
- Trade financing	-	68,727	-	68,727
FVTPL				
- Discounted bills	-	50,961	-	50,961
- Trade financing	-	9,262	-	9,262
Derivative financial assets	-	42,829	-	42,829
Total financial assets	<u>500,104</u>	<u>1,385,228</u>	<u>38,183</u>	<u>1,923,515</u>
Derivative financial liabilities	-	37,526	-	37,526
Financial liabilities measured at FVTPL				
- Financial liabilities associated with short selling of bonds	6,430	101	474	7,005
- Interest of other unit holders in consolidated structured entities	3,099	-	-	3,099
- Financial liabilities related to precious metals	134	-	-	134
Total financial liabilities	<u>9,663</u>	<u>37,627</u>	<u>474</u>	<u>47,764</u>

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

(i) Level 2 Financial Instruments

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

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

(ii) Level 3 Financial Instruments

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

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial liabilities measured at FVTPL	Total
1 January 2023	30,515	7,668	(474)	37,709
Additions	14,003	20	(508)	13,515
Disposals and settlements	(12,661)	-	493	(12,168)
Total gains / (losses) recorded in profit or loss	(509)	-	(69)	(578)
Total gains / (losses) recorded in other comprehensive income	-	(939)	-	(939)
31 December 2023	31,348	6,749	(558)	37,539
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2023 for the positions held at 31 December 2023	(1,367)	-	(34)	(1,401)

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial liabilities measured at FVTPL	Total
1 January 2022	26,672	6,690	(514)	32,848
Additions	8,067	996	(747)	8,316
Disposals and settlements	(4,466)	(2)	634	(3,834)
Total gains / (losses) recorded in profit or loss	242	-	153	395
Total gains / (losses) recorded in other comprehensive income	-	(16)	-	(16)
31 December 2022	30,515	7,668	(474)	37,709
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2022 for the positions held at 31 December 2022	(303)	-	37	(266)

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

<u>31 December 2023</u>	<u>Fair value</u>	<u>Valuation method</u>	<u>Unobservable inputs</u>
Financial investments:			
Financial investments measured at FVTPL			
- Fund	222	Refer to recent transactions Income approach	Liquidity discount
- Bonds	1,096	Refer to recent transactions Income approach	Discount rate
- Fund trust and asset management plan	4,238	Refer to recent transactions Income approach	Discount rate
- Equity	11,895	Refer to recent transactions Income approach	Discount rate
	2,530	Refer to recent transactions Income approach	Liquidity discount
- ABS	80	Refer to recent transactions Income approach	Discount rate
- Other	11,287	Refer to recent transactions Income approach	Liquidity discount
	<u>31,348</u>		
Financial investments measured at FVOCI			
- Fund trust and asset management plan	20	Income approach	Discount rate
- Repossessed equity instruments	1,104	Market approach Net Asset Based Method	Liquidity discount P/B ratio
	457	Discounted cash flow method	Discount rate
	4		Liquidity discount
- Other equity investments	4,093	Market approach Net Asset Based Method	Liquidity discount P/B ratio
	956	Income approach	Liquidity discount
	115		Discount rate
	<u>6,749</u>		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	<u>558</u>	Note 1	Note 1

<u>31 December 2022</u>	<u>Fair value</u>	<u>Valuation method</u>	<u>Unobservable inputs</u>
Financial investments:			
Financial investments measured at FVTPL			
- Fund	876	Refer to recent transactions	Liquidity discount
- Bonds	853	Income approach	Discount rate
- Fund trust and asset management plan	5,797	Income approach	Discount rate
- Equity	11,736	Income approach	Discount rate
	3,560	Refer to recent transactions	Liquidity discount
- Other	7,693	Refer to recent transactions	Liquidity discount
	<u>30,515</u>		
Financial investments measured at FVOCI			
- Repossessed equity instruments	1,704	Market approach	Liquidity discount P/B ratio
	794	Net Asset Based Method	Liquidity discount
- Other equity investments	956	Market approach	Liquidity discount P/B ratio
	4,093	Net Asset Based Method	Liquidity discount
	121	Income approach	Discount rate
	<u>7,668</u>		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	<u>474</u>	Note 1	Note 1

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

5 Offsetting of financial assets and financial liabilities

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

As at 31 December 2023, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

6 Capital management

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

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

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

As at 31 December 2023, commercial banks in China should meet the requirements for capital adequacy ratio set out in the Administrative Measures on the Capital of Commercial Banks (for Trial Implementation) which required the capital adequacy ratio of core tier 1 capital shall not be less than 7.50%, capital adequacy ratio of tier 1 capital shall not be less than 8.50% and capital adequacy ratio shall not be less than 10.50%.

In addition, the PBOC and related regulatory departments have formulated evaluation of systemically important banks and the Additional Regulatory Rules for Systemically Important Banks (for Trial Implementation). According to the above provisions, systemically important banks shall meet certain additional capital requirements in addition to minimum capital requirements, reserve capital and counter-cyclical capital requirements, which are satisfied by core Tier 1 capital. Systemically important banks are divided into five groups, and the additional capital requirements of 0.25%, 0.5%, 0.75%, 1% and 1.5% shall apply to the banks in Group I to Group V respectively. According to the List of Domestic Banks of Systematic Importance in 2022 Issued by the People's Bank of China and China Banking and Insurance Regulatory Commission ("CBIRC") in September 2023, the bank was identified as systemically important banks in Group II. Therefore, after considering the additional capital requirements of systemically important banks, the Group should meet the minimum requirement of 8% of core tier 1 capital adequacy, 9% of tier 1 capital adequacy and 11% of capital adequacy.

	The Group	
	31 December 2023	31 December 2022
Core tier 1 capital - net	597,925	568,299
Tier 1 capital - net	708,482	678,802
Capital - net	844,452	843,761
Total risk weighted assets	6,667,213	6,182,036
Core tier 1 capital adequacy ratio	8.97%	9.19%
Tier 1 capital adequacy ratio	10.63%	10.98%
Capital adequacy ratio	12.67%	13.65%

- (1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratios includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.
- (2) The Group's Core Tier 1 Capital includes ordinary shares, equity components of the convertible corporate bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general risk reserve, retained earnings, minority interests (to the extent permitted in the Core Tier 1 Capital under the Regulation).
- (3) The Group's Deductible Items from Core Tier 1 Capital include other intangible assets (excluding land use rights) after deducting the related deferred tax liabilities, the net amount of goodwill after deducting related deferred tax liabilities and other net deferred tax assets dependent on future bank profits (threshold deduction items).
- (4) The Group's other Tier 1 Capital includes preference shares, Perpetual bond and minority interests to the extent permitted by the capital rules.
- (5) The Group's Tier 2 Capital includes: Tier 2 capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests to the extent permitted by the capital rules.
- (6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk weighted Assets and Operational Risk-weighted Assets respectively.

IX ASSET PLEDGED AS COLLATERAL

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

	31 December 2023	31 December 2022
Financial investments	958,711	579,699
Discounted bills	87,619	105,024
Bank loans	2,143	648
Total	1,048,473	685,371

Apart from the pledges mentioned above, the Group had insignificant amounts of assets with restricted ownership or usage for mortgages, seizures, freezes and detainments at the end of 2023 (at the end of 2022: the amounts were insignificant).

X EVENTS AFTER THE REPORTING DATE

1 Profit distribution plan

The Bank convened the board of directors on 26 April 2024, approved the profit distribution plan for 2023 and submitted it to the annual general meeting for consideration and approval.

XI COMPARATIVE FIGURES

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