

Annual Report 2021

Shanghai Pudong Development Bank Co., Ltd.

Mission

Finance creates value for better life

Strategic objectives

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

Core values

Stick to integrity and strive for excellence

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

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

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

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

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

Corporate spirit

Strive with one heart

Organizational climate

Optimism, plainness, unity and sharing

Manager image

Righteous, wise, pioneering and responsible

Employee image

Dedicated, professional, innovative and promising

Brand proposition

New thinking, heartfelt service

Important Notice

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors, and Senior Management members of the Bank warrant that the information presented in this Report is authentic, accurate and complete, contains no false record, misleading statement or material omission, and bear joint and several liability for the information in this Report.
2. This Report was reviewed and approved at the 37th Meeting of the Seventh Board of Directors held in Shanghai on 26 April 2022, which was attended by 12 directors in person.
3. The 2021 financial statements prepared by the Bank in accordance with the Accounting Standards for Business Enterprises and the International Financial Reporting Standards have been audited by KPMG Huazhen LLP who issued a standard unqualified opinion.
4. Zheng Yang, Chairman of the Board of Directors, Pan Weidong, President of the Bank, Wang Xinhao, Vice President and Chief Financial Officer, and Li Lianquan, person in charge of accounting institutions, warrant the authenticity, accuracy and completeness of the financial statements in this Report.
5. The profit distribution plan for the reporting period approved by the Board of Directors is as follows: Distributing to all ordinary shareholders cash dividends at RMB4.1 (tax inclusive) per 10 shares based on the total number of ordinary shares on the day of profit distribution and equity registration. As at 31 December 2021, the Bank's ordinary shares totaled 29,352,168,006, based on which the cash dividends to be distributed were calculated in RMB12,034 million (tax inclusive).
6. There was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes.
7. The Bank provided no external guarantee in violation of the required decision-making process.
8. Risk statement on forward-looking statements: The future plans, development strategies and other prospective description stated in this Report do not constitute substantial warranty of the Bank to the investors; the investors and other related persons shall be fully aware of the risks and understand the difference between plans, estimates and commitments.
9. Notes on material risks: The Bank has no foreseeable material risks. Operating risks facing the Bank mainly include credit risk, market risk, liquidity risk, and operational risk. The Bank has taken various measures to manage and control various operating risks, which are shown in the "Risk Management" under Section III "Management Discussion and Analysis".

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Message from Chairman of the Board of Directors

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

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

Always bearing the founding mission in mind, we went all out to form a new development pattern. In 2021, we formulated the group-wide strategic development plan and innovation plan for the 14th Five-year Plan period to draw a new blueprint for our high-quality development. We clearly put forward the strategy of **three major transformations**, that is, asset-light, carbon peaking and carbon neutrality, and digitalization, in a bid to forge a sustainable profit model at a faster pace. To make the best of “finance + technology”, we

strengthened top-level design and overall planning, and empowered the development of the real economy through two-way opening, both internally and externally, thus improving our financial services in terms of coverage, accessibility, and convenience. Meanwhile, we gave full play to the steering role of strategic objectives, and adhered to the five-pronged overall planning of becoming a trustworthy, preferred bank in the eyes of customers, a high-quality blue chip of the capital market, an attentive employer that shares development results with employees, a systemically important bank which boasts of operational compliance and causes no worry for regulators, and a respectable and trusted corporate citizen.

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

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

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

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

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

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

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

outperform our competitors, as a move to continuously raise the utilization rate and satisfaction of customers with our financial services.

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

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



Zheng Yang, Party Committee Secretary and Chairman

Message from President

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

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

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

in a targeted manner, and private banking formed an increasingly complete lineup of platform-based, diversified and specialized products. The “**SPDB Risk Hedging**” brand gained further influence, by serving 23,000 corporate customers. **The custodian business** seized the opportunity presented by the rapidly expanded market to enhance the brand influence of “SPD Custodian”.

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

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

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

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

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

capacity, embark on a new path to becoming an expert in vertical industry operation and ubiquitous coverage of the entire industry chain ecosystem, so as to truly maximize the operation effectiveness.

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

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



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

Message from Chairman of the Board of Supervisors

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

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

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

In 2021, the Board of Supervisors continued to oversee key areas such as financial affairs, risk management, and compliance & internal control as per the requirements of financial and state-owned assets regulators, and made timely comments and suggestions from the supervisory perspective. In terms of financial supervision, it focused attention on the authenticity of periodic reports and the progress in data governance. Special supervision initiatives were conducted to make rectification as pointed out in the reply to final accounts, address the problem that the Group was found to act as a controlling shareholder without de facto control, and check the implementation of investment management policies, so that the Bank could continuously improve the quality of basic data and raise financial management

standards, guarantee the true, accurate and complete reflection of operating results, and safeguard the legitimate interests of the Bank, shareholders, investors, and other stakeholders. With respect to risk management supervision, it placed emphasis on comprehensive risk management, asset quality, and prevention & resolution of material risks. Special supervisory inspections were carried out on the implementation of major policies for the prevention and mitigation of materials risks, so that the Bank could continuously improve its comprehensive risk management mechanisms and raise its risk management standards. As to compliance and internal control supervision, it gave priorities to the optimization and implementation of the compliance management mechanisms, the oversight of the Year for Enhancing Internal Control and Compliance Management campaign, and the cooperation with the on-site inspection initiated by the CBIRC to examine the effectiveness of risk management and internal control. With these measures, the Bank was urged to build a sound compliance culture and elevate its internal control and compliance management to a higher level.

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

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

supervision efficiency to actively support and promote the high-quality development of the Bank.

Be practical and innovative

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



Wang Jianping, Chairman of the Board of Supervisors

Section I Definitions

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

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

Section II Corporate Profile and Main Financial Indicators

2.1 Company Information

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

2.2 Contact Information

	Secretary to the Board of Directors	Listing Affairs Representative
Name	Xie Wei	Wu Rong
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Email	xw@spdb.com.cn	wur2@spdb.com.cn

2.3 Information Disclosure and Access Site

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

2.4 Stocks

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

2.5 Other Related Documents

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

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

2.6 Awards, Honors, International Rankings and Ratings

Rankings

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

Brand value and credit ratings

Brand value	SPD Bank ranked 19th among the “Top 500 Banking Brands”, which was released by the British magazine The Banker in February 2022. Among all the Chinese-funded banks on the list, the Bank ranked 8th. Its brand value was worth USD14,313 million.	
Rating agency	Credit rating	Rating outlook
Moody’s	Long-term deposit rating: Baa2 Short-term deposit rating: Prime-2	Stable
Standard & Poor’s	Long-term issuer credit rating: BBB Short-term issuer credit rating: A-2	Stable
Fitch Ratings	Long-term issuer default rating: BBB	Stable

Honors and awards

1. Comprehensive financial service

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

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

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

2.7 Major Accounting Data and Financial Indicators

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

Net interest spread	1.77	1.97	Down 0.20 percentage point	2.27
Net interest margin	1.83	2.02	Down 0.19 percentage point	2.34
Cost-to-income ratio	26.17	23.78	Up 2.39 percentage points	22.58
Cash dividend ratio	25.26	25.50	Down 0.24 percentage point	30.80
Percentage in total operating income (%)				
Net interest income to operating income	71.19	70.57	Up 0.62 percentage point	75.79
Non-interest income to operating income	28.81	29.43	Down 0.62 percentage point	24.21
Net income of fee and commission to operating income	15.25	17.29	Down 2.04 percentage points	12.99
In RMB millions	At the end of 2021	At the end of 2020	Increase/(decrease) compared with the same period of last year (%)	At the end of 2019
Scale indicators				
Total assets	8,136,757	7,950,218	2.35	7,005,929
Incl.: Total loans	4,786,040	4,533,973	5.56	4,025,901
Total liabilities	7,458,539	7,304,401	2.11	6,444,878
Incl.: Total deposits	4,403,056	4,076,484	8.01	3,627,853
Net assets attributable to the parent company's shareholders	670,007	638,197	4.98	553,861
Net assets attributable to the parent company's ordinary shareholders	560,098	528,288	6.02	493,945
Net assets per share attributable to the ordinary shareholders of the parent company (RMB)	19.08	18.00	6.00	16.83
Asset quality indicators (%)				

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.8 Differences between Accounting Data Prepared as per ASBE and IFRS

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

2.9 Key Financial Data per Quarter of the Group in 2021

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

2.10 Non-recurring Profit or Loss and Amount

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

Section III Management Discussion and Analysis

3.1 Overall Business Operation of the Bank

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

Assets and liabilities grew in scale steadily

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

Operating revenue dropped slightly without compromising its stability

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

Business structure improved amid stability

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

Asset quality enhanced steadily

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

Steady progress was made towards group-wide and international development

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

3.2 Analysis on Core Competitiveness

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

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

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

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

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

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

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

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

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

Financial market: The Bank actively implemented the requirements for serving the real economy with financial services, adhered to the “open, integrated, and considerate” service tenet, and pushed forward the brand strategy of “SPDB Risk Hedging” in depth. Relying on its leading advantages in integrated investment and research, proximity to the market, and professional operation, it released the Market Outlook Bluebook of SPDB Risk Hedging for

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

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

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

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

The Bank continued to roll out innovative green finance products and business modes, effectively integrated traditional credit products with financial instruments such as M&As, bonds, equity, syndicated loans, and matchmaking service, and went all out to build a green finance supermarket that "could cross the interbank market, capital market, and carbon finance element market". It forged a green product lineup that consisted of customized products and standard products, continuously consolidated its competitive edges in the field of green finance, and made the "SPDB Green Innovation" brand grow stronger. As at the end of the reporting period, the Bank's green credit posted a balance of RMB311,335 million, ranking among the top in the industry, of which RMB121,858 million went to the Yangtze River Delta region. Through green credit, the Bank helped reduce carbon dioxide emissions of over 10 million tons, equivalent to standard coal of over 22.76 million tons. With the

support of carbon emission reduction tools, it issued carbon emission reduction loans of RMB14,708 million to 84 projects, ranking first among all joint-stock banks in China, which contributed to an annual reduction of 3,338,100 tons of carbon dioxide equivalent. In the year, the Bank underwrote RMB15,381 million of green debt financing instruments and sustainability-linked bonds, of which the first type amounted to RMB10,631 million. The Bank underwrote the first carbon-neutral bond certified both at home and abroad with an issue amount of RMB840 million across the Chinese market and the first sustainability-linked bond in Shanghai with an issue amount of RMB5 billion.

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

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

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

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

The Bank strengthened business empowerment, expanded ecological scenarios, and achieved actual effects in using data. It pushed forward the construction of a data-driven intelligent operation system for the financial market in all aspects and at multiple levels, by starting from such areas as the specialized operation of industry-specific customer groups, the systematic operation of the double cycle value system of corporate customers, and the digital risk control of small and micro enterprises. By seizing the stronghold in industrial Internet, the Bank launched 33 industry-specific digital finance platforms with strategic

customers of the Head Office at the core and 91 online supply chains, which efficiently connected 710 customers, both upstream and downstream, and supplied over RMB80 billion of revolving credit funds. Meanwhile, the Bank went all out to expand the API connection program, by creating 245 new API components and adding more than 22,000 new up-to-standard linked customers. In this way, it contributed to the growth of businesses such as settlement deposits, valuable customers, agency issuance and AUM.

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

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

3.3 IT Input

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

3.4 Analysis of Income Statement

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

Item	In RMB millions		
	The reporting period	Same period of last year	Change in amount

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

3.4.1 Operating income

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

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

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

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

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

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

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

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

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

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

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

3.4.2 Net interest income

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

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

In RMB millions

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

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

In RMB millions

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

3.4.2.1 Interest income

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

Interest income from loans and advances

In RMB millions

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

Discounted bills	444,942	14,428	3.24	353,495	9,853	2.79
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Note: Of these, the average yield of general short-term loans and medium and long-term loans was 5.39% and 4.47%, respectively.

Interest income on investment

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

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

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

3.4.2.2 Interest expense

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

Interest expense on deposits from customers

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

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

In RMB millions

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

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

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

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

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

Interest expense on debt securities issued

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

3.4.3 Net non-interest income

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

In RMB millions

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

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

3.4.3.1 Fee and commission income

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

In RMB millions

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

3.4.3.2 Profit or loss on investments

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

In RMB millions

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

3.4.3.3 Profit or loss on changes in fair value

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

In RMB millions

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

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

3.4.4 General and administrative expenses

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

In RMB millions

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

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

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

In RMB millions

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

3.4.6 Income tax expense

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

In RMB millions

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

3.5 Analysis of the Balance Sheet

3.5.1 Analysis of assets

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

In RMB millions

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

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

3.5.1.1 Loans to customers

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

3.5.1.2 Financial investments

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

Held-for-trading financial assets

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

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

Creditor's rights investments

In RMB millions

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

Other creditor's rights investments

In RMB millions

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

Other equity instrument investments

In RMB millions

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

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

In RMB millions

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

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

In RMB millions

The Group	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses set aside
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Policy bank bonds 2018	11,740	4.98	12 January 2025	1.05
Policy bank bonds 2018	7,870	4.73	2 April 2025	0.70
Policy bank bonds 2018	6,500	4.15	26 October 2025	0.58
Policy bank bonds 2017	6,000	4.44	9 November 2022	0.53
Policy bank bonds 2020	5,500	3.23	10 January 2025	0.49
Policy bank bonds 2020	5,500	3.34	14 July 2025	0.49
Policy bank bonds 2021	5,440	3.12	13 September 2031	0.49
Policy bank bonds 2019	5,000	3.30	1 February 2024	0.45
Bonds of commercial banks and other financial institutions 2021	5,000	3.89	26 January 2022	0.78
Bonds of commercial banks and other financial institutions 2021	5,000	3.89	23 February 2022	0.78

3.5.1.3 Long-term equity investment

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

3.5.1.4 Derivatives

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

In RMB millions

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

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

6.3.1.5 Goodwill

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

3.5.2 Analysis of liabilities

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

In RMB millions

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

3.5.2.1 Composition of total deposits

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

In RMB millions

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

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

3.5.3 Analysis of changes in shareholders' equity

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

In RMB millions

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

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

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

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

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

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

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

3.7 Analysis of Loan Quality

3.7.1 Five-tier loan classification

In RMB millions

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

In RMB millions

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

loans

Notes:

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

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

3.7.2 Loan structure and loan quality by product types

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

In RMB millions

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

3.7.3 Loan structure and loan quality by industries

In RMB millions

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

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

3.7.4 Loan structure by geography

In RMB millions

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

3.7.5 Loan structure by collateral types

In RMB millions

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

3.7.6 Loan migration

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

3.7.7 Loans of top ten customers

In RMB millions

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

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

3.7.8 Management of LGFV loans

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

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

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

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

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

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

3.7.9 Year-end NPLs and corresponding measures taken

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

The Bank adopted the following measures:

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

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

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

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

Fifth, retail risk monitoring was added to the Sky Eye system for unified forewarning and surveillance. In terms of fund flows and changes in the customer profile, strategies were formulated to track and monitor suspected flows of retail loan funds into prohibited areas such as real estate and stock market as well as changes in the retail customer profile. Cross-risks of corporate and retail banking were forewarned and monitored. Directors, supervisors, senior management members, and actual controllers of companies with their

corporate loans overdue were monitored in the retail segment. Forewarning and monitoring measures were adopted against the cross-risks arising from the classification of restructured personal loans, personal loans, credit card, etc. in the retail segment. At the same time, for the risky customers found in the process of forewarning and monitoring, the retail segment was asked to withdraw cash from them.

3.7.10 Credit extension to group customers

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

3.7.11 Provision and write-off of loan impairment

In RMB millions

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

Note: Description of provisions for loan impairment: The Group assessed the expected credit loss in conjunction with forward-looking information. The method adopted by the measurement of expected credit loss reflected the following elements: the unbiased-probability weighted average amount determined by assessing a series of possible

results; the time value of money; the reasonable and well-grounded information on related past events, current conditions and predictions of economic prospects that can be obtained on the balance sheet date without incurring unnecessary extra costs or endeavors.

3.8 Analysis of Other Regulatory Indicators Applicable for Commercial Banks

3.8.1 Capital structure and management measures

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

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

In RMB millions

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

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

Notes:

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

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

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

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

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

3.8.2 Leverage ratio

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

In RMB millions

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

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

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

3.8.3 Liquidity coverage ratio

In RMB millions

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

3.8.4 Net stable funding ratio

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

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

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

Allowance to total loans ratio	≥1.8	2.23	2.59	2.70
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Notes:

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

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

3.9 Business Overview of the Bank

3.9.1 Principal business

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

3.9.2 Performance of main business lines

3.9.2.1 Corporate banking

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

Strategic customer operation at the Head Office

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

Corporate deposits and loans

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

Investment banking

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

Transaction banking

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

Inclusive finance

During the reporting period, the Bank earnestly implemented the general requirements put forth by the CPC Central Committee and the State Council for developing inclusive finance. It kept expanding the reach and coverage of inclusive finance services by pressing ahead with the supply-side reform of inclusive finance, enabling inclusive finance to go digital,

intensifying product innovation, making up for institutional shortcomings, and capitalizing on policy synergy and departmental collaboration. While steadily promoting the high-quality development of inclusive finance, it also fully implemented various regulatory requirements. In short, new progress was achieved in developing inclusive finance. As at the end of 2021, the Bank's balance of inclusive loans extended by the standard of "two increases" stood at RMB319,688 million and the number of small and micro enterprises receiving such loans hit 231,800. In the year, the cumulative interest rate of inclusive loans extended by the standard of "two increases" was 4.86%, and the non-performing ratio of inclusive loans was 1.54%.

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

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

International business vehicles

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

3.9.2.2 Retail banking

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

Personal customers and deposits

During the reporting period, the Bank continued to strengthen customer acquisition and operation. Online, it explored new models of operating scenario-based platforms, cast a digital, refined, and closed-loop customer management system, and optimized customer service evaluation management. Offline, it helped outlets raise intelligent service capability,

as a move to comprehensively enhance customers' satisfaction and sense of gain. There were 138 million personal customers (including credit card holders) across the Bank; the AUM of retail customers kept growing steadily, with a balance (including market value) of RMB3.87 trillion; and the personal deposits posted a balance of RMB1,002,162 million, up RMB63,106 million over the beginning of the year.

Retail credit business

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

Wealth management business

During the reporting period, the Bank actively adapted itself to changes in the market environment, focused on customer needs, and used its intelligent wealth management system to allocate customer assets in a scientific and reasonable way and make personalized wealth management planning. To provide a wide range of financial services, it optimized the wealth management product lineup, selected high-quality products across the market, strengthened customer management, and guided customers to adopt a long-term approach to investing in exchange for a better profit experience. With the group-wide coordination and cooperation going deeper, the Bank made innovations in products, channels, and services, effectively scaled up fund, insurance, and trust businesses, and became more competitive and influential in the market. During the reporting period, the balance of wealth

management products held by personal customers registered RMB1,034.4 billion, of which new net-value products posted a balance of RMB949.4 billion and accounted for 91.78% of the total; the fund holdings amounted to RMB186 billion, and the holdings of non-monetary funds ranked second among all joint-stock banks nationwide; the insurance assets crossed the RMB100 billion mark; the income from wealth management business hit RMB6,757 million.

Debit card and payment settlement

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

Credit card

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

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

Private banking

During the reporting period, the private banking segment of the Bank tapped deep into customer operation, relied on its group-wide advantages, sought linkage between different regions, optimized the hierarchical management mode fit for private banking customers, and forged a product lineup that covered all categories. At the same time, it strove to cast a brand offering a complete set of private banking services dedicated to "the inheritance of wealth, family, enterprise, and spirit". Furthermore, the private banking segment cemented the three-pronged team building, did better in professional asset allocation and the delivery of comprehensive services, optimized the exclusive service experience on all fronts, and moved faster to increase the comprehensive contribution of private banking customers. As

at the end of the reporting period, the Bank had over 27,000 private banking customers (monthly average daily financial assets of RMB8 million or above) and managed their financial assets worth over RMB510 billion.

3.9.2.3 Financial market and financial institution

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

Investment transaction

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

Financial institution business

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

Asset management

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

Asset custody

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

3.9.2.4 Channel and services

Outlet building

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

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

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

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

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

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

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

Electronic banking

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

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

Operation support

During the reporting period, the Bank, aiming to enhance “efficiency, excellence, value and security”, wrapped up the building of the “smart operation” mode and proposed a plan to build the “smart operation +” system in the three years to come. First, the Bank sought cross-boundary collaboration to support the development of front-office business and further enhanced its capability of comprehensive, differentiated operation by refining the front office interaction mechanism, giving full play to its advantages in professional operation, supporting cross-region collaborative marketing efforts and the Head Office’s strategic direct marketing, and through other composite supporting modes. Second, it steadily pressed forward with the building of “asset-light” outlets, advanced the reform of operation factors (paper-free, seal-free, and electronic archive) on all fronts, and put in place

the straight-through and online operation modes. The 6S management was upgraded, operation marketing efforts were increased, and a new model was introduced for operation and service rendering at outlets. Third, the Bank continued to forge the end-to-end business processes, prioritized reshaping corporate account opening, salary payroll, foreign exchange and other business forms into end-to-end, online processes, and made innovations in all business processes from the customer acquisition level, the middle-office operation level, and the back-office control level. Fourth, it refined the intensive operation and management model, got rid of limitations brought by institutions and levels, and formed a business support system where different branches could make joint action, the Head Office and branches could coordinate their efforts as a whole, and the middle and back offices could be integrated as one. As a result, there emerged a “logically concentrated, physically dispersed” operation pattern. Besides, exchange policy review, remote authorization and other business were conducted on a cross-regional agency basis, which therefore highlighted the flexibility of the business supports. Meanwhile, the operation support was extended in depth and breadth. Fifth, it took “stable internal control” measures to ensure safe transformation, advanced two shifts in the bank-wide internal control management, that is, shifting the focus from “experience dependence and ex post supervision” to “digital analysis and preventive supervision”, and shifting the focus from “ex post” to “ex ante and interim” phases, reconstructed the internal control system, increased the application of data in various inspections, identified problems accurately, and intensified the risk forewarning mechanism, thereby holding onto the bottom line for risk management.

3.9.3 Analysis of major holding and participating companies

3.9.3.1 External equity investments

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

Notes:

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

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

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

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

3.9.3.2 Interests in unlisted financial enterprises

In RMB millions

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

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

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

3.9.3.3 Management and control of subsidiaries

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

3.9.3.4 Analysis of major investee companies of the Group

(1) Shanghai Trust

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

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

(2) SPDB Financial Leasing

SPDB Financial Leasing Co., Ltd., established in May 2012, is China's first financial leasing company integrating financial capital and industry capital. SPDB Financial Leasing has a registered capital of RMB5 billion, in which the Bank holds 61.02% shares. Relying on the

powerful platforms and advantageous resources of all shareholders, SPDB Financial Leasing fully exploits the functional characteristics of financial leasing as a combination of industry and finance on the one hand and a mix of funds and goods financing on the other hand. It focuses on the development of aviation and shipping, advanced manufacturing, emerging industries, energy and electric power, infrastructure, public utilities, and other fields, and is dedicated to providing customers with professional, featured and innovative financial leasing products and services.

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

(3) SPDB International

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

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

(4) AXA SPDB Investment Managers

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

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

(5) SPD Silicon Valley Bank

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

itself to serving China's technological innovation enterprises and builds a "technological innovation ecosystem" in China. It strives to become the premier bank of China's technological innovation enterprises and their investors.

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

(6) SPD rural banks

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

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

(7) SPDB Wealth Management

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

3.10 Other Information Disclosed Pursuant to Regulatory Requirements

3.10.1 Interest receivable

As at the end of the reporting period, the details of interest receivables of the Group can be

seen in the note disclosures of various financial assets and liabilities in financial statements.

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

Bad-debt provision for interest receivable

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

3.10.2 Repossessed assets and provision for impairment

In RMB millions

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

3.10.3 Financial assets and liabilities measured at fair value

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

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

In RMB millions

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

Note: This table has no consequent articulation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.10.6 Liabilities quality

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

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

3.11 Discussion and Analysis on Future Development

3.11.1 Industry developments during the reporting period

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

3.11.2 Landscape and development trend of the industry

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

3.11.3 Development strategy of the Bank

In 2021, the first year of the 14th Five-year Plan period, the Bank prepared its strategic development plan and innovation plan from 2021 to 2025, given the new changes in and requirements raised by the internal and external environment, which clearly defines the strategic goal of “growing into a globally competitive, top-notch joint-stock commercial bank which moves early to secure a leading position in promoting the finance sector toward high-quality development in the new era”. With long-term goals in mind, the Bank will allow the strategic objectives and overall planning to play an increasingly leading role and focus on seeking digitalized, group-wide, internationalized, market-based, meticulous operation. Taking high-quality development as the mission, service quality as the fundamental, and market as a guide, it will rely on customer experience and digital technology as two forces to constantly drive up the core competitiveness, industry-wide leadership, and global influence, and accelerate the asset-light, carbon peaking and carbon neutrality, and digitalized transformations. In the process, SPD Bank will build itself into a trustworthy, preferred bank for customers, a high-quality blue-chip of the capital market, an attentive employer who

shares development results with employees, a systemically important bank which boasts of operational compliance and causes no worry for regulators, and a respectable and trusted corporate citizen. All in all, it will strive to become a role model that creates both corporate value and social value.

3.11.4 Management measures in 2022

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

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

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

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

- **Continuously casting featured businesses as shining brands.** To become professionally competent, the Bank will develop business lines such as scientific and technological innovation, green finance, investment banking, and free trade toward asset-light, continuously increase the input in wealth management and private banking, optimize the

product structure and customer experience, and drive the growth of both AUM and fee-based income. It will further build up featured businesses such as SPDB Risk Hedging, interbank sales, asset management, wealth management, and custody service.

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

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

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

3.11.5 Possible risks confronting the Bank

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

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

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

requirements for the environmental and climate-related risk management capabilities of commercial banks.

3.12 Risk Management

3.12.1 Organizational structure of the Bank for risk management

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

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

3.12.2 Risks facing the Bank

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

3.12.3 Statement on credit risk

3.12.3.1 Policy making

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

Second, the Bank exploited the rigid constraints of industry limits, allowed policies to play their guiding roles efficiently, and implemented the "mandatory + instructive" industry limit

management on all fronts, to bring the limits for industries with overcapacity under centralized, coordinated and computer-controlled management.

3.12.3.2 Credit extension management

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

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

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

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

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

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

3.12.3.3 Risk forewarning

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

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

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

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

3.12.3.4 Asset resolution

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

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

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

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

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

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

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

3.12.4 Statement on liquidity risk

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

During the reporting period, the Bank kept layered, beforehand, and balanced management of liquidity risk in line with the principle of aggregate balance and structural equilibrium. It carried out real-time monitoring of daily position accounts in local and foreign currencies, made a centralized allocation of positions in local and foreign currencies, and established a pre-declaration mechanism for large-amount positions to monitor the total liquidity level. It prepared a cash flow gap table on a daily basis, used the gap management method to predict cash flow gap changes in on-and-off-balance sheet items in the future, and dynamically conducted on- and off-balance sheet liquidity risk assessment. The Bank also,

based on its own liquidity risk appetite and risk limit requirements, made smooth and dynamic adjustments to liquidity gaps in advance through active financing arrangements and asset & liability portfolios, thus realizing a gross balance and structure equilibrium in the business development and effectively meet the requirements for liquidity management goals.

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

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

3.12.5 Market risk management conditions

In 2021, the Bank adapted itself to changes in the market, business landscape, and regulatory requirements, by continuing to optimize market risk management and enhance risk measurement capabilities. First, it improved the management of market risk limits, further optimized the layered forewarning mechanism for limits, strengthened the internal control management of business lines, and coordinated the first and second lines of defense

for joint risk prevention and control. Second, it refined the market risk stress testing program, expanded the coverage of market risk stress tests according to business developments and changes in the external environment, optimized the setting of stress testing scenarios, and made stress testing more meticulous. Third, it actively promoted the implementation of the Basel III-based market risk project and completed the development of the main functions of a new market risk measurement system. Fourth, it closely monitored financial market trends, strengthened process management, and conducted more effective risk monitoring. There were no material risk events throughout the year.

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

In RMB millions

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

3.12.6 Statement on operational risk

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

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

3.12.7 Statement on other risks

3.12.7.1 Compliance risk

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

3.12.7.2 Anti-money laundering (AML)

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

3.12.7.3 Legal risk

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

3.12.7.4 IT risk

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

3.12.7.5 Business continuity management

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

3.12.7.6 Strategic risk

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

3.12.7.7 Reputational risk

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

3.12.7.8 Country risk

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

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

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

spreads at a reasonable level, expand the scope of fee-based business, and build up the ability to achieve revenue growth.

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

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

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

3.14 Proceeds from Fund-raising Activities

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

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

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

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

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

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

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

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

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

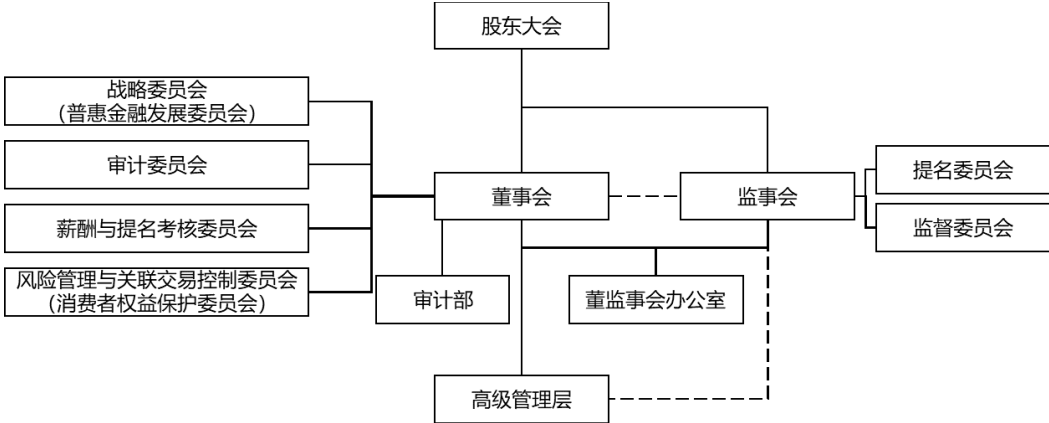
On 12 July 2019, the Bank finished issuing the 2019 Undated Additional Tier 1 Capital Bonds of Shanghai Pudong Development Bank Co., Ltd. in RMB30 billion in the national interbank bond market, and after the issuing cost was deducted, the funds actually raised were RMB29.996 billion.

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

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

Section IV Corporate Governance

Corporate Governance Structure



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

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

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

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

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

and integrity [redacted] formulated the independent accounting system and financial management policies. [redacted]

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

4.3.1 Shareholders and Shareholders' Meeting

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

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

4.3.2 Directors and the Board of Directors

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

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

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

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

4.3.3 Supervisors and the Board of Supervisors

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

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

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

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

4.3.4 Senior Management

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

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

4.4 Information Disclosure and Transparency

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

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

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

4.5 Basic Information on Directors, Supervisors and Senior Management Members

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

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

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

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

Notes:

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

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

4.5.2 Changes in directors, supervisors, and Senior Management members

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

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

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

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

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

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

4.5.4.1 Directors

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

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

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

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

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

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

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

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

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

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

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

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

Yuan Zhigang, male, born in 1958, has a Doctorate degree, and is a Specially Engaged Professor of "Changjiang Scholars" launched by the Ministry of Education. He previously served as Dean of School of Economics of Fudan University. He currently works as Professor

and Doctorate Supervisor of School of Economics of Fudan University, Director of Employment and Social Security Research Center of Fudan University, Director of the Academic Council of the Faculty of Economics and Management at East China Normal University, Expert Member of the Shanghai Advisory Committee on Decision-Making, Advisor to Fujian Provincial People's Government, Expert Member of the Decision-making Advisory Committee of People's Government of Guangxi Zhuang Autonomous Region, External Supervisor of Bank of Shanghai Co., Ltd., and Independent Director of Sunac China Holdings Limited.

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

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

4.5.4.2 Supervisors

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

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

Ltd., Deputy Head and Head of Strategic Planning Department of Shanghai Electric (Group) Corp., and Head of Industry Development Department of Shanghai Electric Group Company Limited. He currently works as Vice President of Bailian Group Co., Ltd.

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

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

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

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

Li Guangming, male, born in 1963, a Party member, has a Master's degree, and is a Senior Economist, and Senior Engineer. He previously served as General Manager of No. 2 Sub-branch of Hohhot Branch of China Construction Bank ("CCB"), Party Committee member and Deputy General Manager of CCB Hohhot Branch, Deputy Secretary of the Party Committee and Deputy General Manager (in overall charge) of the Banking Department of CCB Inner Mongolia Branch, Secretary of the Party Committee and Head of Hohhot Branch

of SPD Bank, and Director of the Secretariat to the Board of Directors & Supervisors of SPD Bank. He currently works as Chairman of SPD Bank Labor Union, Director of the Party Committee Office, Director of the Publicity Department of the Party Committee, and Director of the General Office of SPD Bank.

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

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

4.5.4.3 Senior Management members

Pan Weidong, ditto

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

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

Liu Yiyan, ditto

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

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

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

4.6 Overview of Service in the Shareholders

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

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

4.7 Overview of Service in Other Entities

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

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

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

Nanjing Central Emporium (Group)
Stocks Co., Ltd.

Independent Director

Jiangsu Suning Bank Co., Ltd.

Independent Director

4.8 Remuneration of Directors, Supervisors and Senior Management Members

Decision-making procedure
for the remuneration of
directors, supervisors, and
Senior Management
members

The remuneration of the Bank's shareholder directors and shareholder supervisors shall be determined by the shareholder units that appoint them.

The remuneration of the Bank's independent directors and external supervisors shall be subject to the Policy on Allowances to Independent Directors and the Policy on Allowances to External Supervisors, as considered and approved at the Shareholders' Meeting.

The remuneration of directors, supervisors, and Senior Management members who are paid by the Bank shall be reviewed by the Nomination and Remuneration Appraisal Committee under the Board of Directors, and be submitted to the Board of Directors for approval. The Board of Directors is responsible for considering and adopting the remuneration management policy of the Bank in accordance with the pertinent laws and policies of the State. The Nomination and Remuneration Appraisal Committee under the Board of Directors consists of five directors and is chaired by an independent director. It shall consider the remuneration management regime and policies of the Bank, study and examine the remuneration policies and schemes for directors and Senior Management, and put forth suggestions to the Board of Directors. The Senior Management shall organize the implementation of the Board of Directors' resolutions about remuneration management. Internal and external auditors shall incorporate the design and implementation of remuneration policies into the auditing scope.

Basis for the remuneration
of directors, supervisors and
Senior Management
members

The directors, supervisors, Senior Management members who are paid by the Bank shall be included in the corresponding remuneration management policies and their remuneration shall be appraised and decided by the competent departments based on the assessment results. Others shall be subject to the remuneration distribution plan of the Bank as approved by the Board of Directors and its Nomination and Remuneration Appraisal Committee. Specifically, the remuneration of the Chairman (Legal Representative) shall be appraised and decided by the

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

4.9 Performance of Duties by Directors and the Board of Directors

4.9.1 Attendance of directors at Board meetings

Overview of attendance at Board meetings

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

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

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

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

4.9.2 Performance of duties by independent directors

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

interests of the Bank and the legitimate rights and interests of minority shareholders from being impaired, and exerted positive role for scientific decision making by the Board of Directors.

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

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

4.9.4 Independent opinions of independent directors about external guarantees

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

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

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

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

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

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

4.9.5.1 Strategy Committee (Inclusive Finance Development Committee)

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

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

4.9.5.2 Nomination and Remuneration Appraisal Committee

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

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

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

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

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

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

4.9.5.4 Audit Committee

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

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

4.10 Performance of Duties by Supervisors and the Board of Supervisors

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

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

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

During the reporting period, the Board of Supervisors surveyed primary-level branches/institutions, which included nine tier-one branches, two tier-two branches, five sub-branches, eight Head Office departments, and one subsidiary. A total of 25 special

meetings were convened in the process. With these efforts, the Board of Supervisors further understood the implementation of the Bank's strategies/decisions, risk compliance requirements, and regulatory policies by the primary-level branches/institutions, got informed of the difficulties, problems and shortcomings facing them in the operation and management process, and promptly updated the Senior Management on the findings along with relevant comments and suggestions.

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

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

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

problems, and prompted the Bank to improve the compliance appraisal and accountability mechanism, a prerequisite for making accountability efforts more effective.

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

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

4.10.1 Performance of duties by external supervisors

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

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

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

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

Nomination Committee

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

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

Supervision Committee

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

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

4.11 Information on Employees of the Parent Company and Main Subsidiaries

4.11.1 Information on employees

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

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

4.11.2 Staff remuneration policy

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

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

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

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

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

4.11.3 Human resources management

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

4.11.4 Staff training plan

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

provided professional training courses for related personnel. Fifth, it worked hard to build the intelligent campus where digital learning could play a better empowering role.

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

4.12.1 Formulation and implementation of cash bonus policy

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

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

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

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

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

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

4.12.3 2021 profit distribution plan of the Bank

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

The Bank proposed the 2021 profit distribution plan as follows:

- (1) To withdraw discretionary surplus reserve at 30% of after-tax profit of the year, RMB15,093 million in total;
- (2) Pursuant to the Administrative Measures for Reserve Provisioning of Financial Enterprises (C.J. [2012] No. 20) issued by the Ministry of Finance, a financial enterprise which undertakes the deposit and loan business shall set aside a certain portion of its after-tax net profit as general reserve, and the balance of general reserve shall not be lower than 1.5% of the closing balance of risk assets in principle. Pursuant to the above provision, the Bank set side RMB4.5 billion for general reserve in 2021.
- (3) To distribute to all shareholders cash dividends at RMB4.1 (tax inclusive) per 10 shares based on the total number of ordinary shares on the day of profit distribution and equity registration. As at 31 December 2021, the Bank's ordinary shares totaled 29,352,168,006, based on which the cash dividends to be distributed were calculated in RMB12,034 million (tax inclusive).

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

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

4.14 Formulation and Implementation of Internal Control Policies

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

internal control over financial reporting in all material aspects in accordance with the requirements of rules and regulations on enterprise internal control. Based on the identification of material deficiencies in the internal control over non-financial reporting, the Bank's internal control over non-financial reporting contained no material deficiencies as at the base date of internal control appraisal report.

4.15 Relevant Information about Internal Control Audit Report

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

Section V Environmental and Social Responsibilities

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

5.1 Environmental Information

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

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

Corporate governance

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

During the reporting period, the Board of Directors considered and adopted the Bank's strategic development plan for the 14th Five-year Plan period, actively implemented the

plans made by the CPC Central Committee for “carbon emissions peaking and carbon neutrality”, and grasped the historic opportunities presented by the low-carbon transformation and development of national economy to serve ecological protection and green development. It helped improve the efficiency of resource utilization by meeting the financial needs of energy-saving projects in such sectors as industry, construction and transportation as well as public institutions. It also rolled out a host of green finance products and services around the needs for green intelligent manufacturing, green urbanization, green energy, environmental protection, new energy vehicles, carbon finance, etc.

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

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

Green finance policies and systems

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

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

business, medium and long-term asset allocation for central power enterprises, and distributed photovoltaic (PV) systems.

Innovations in green finance services

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

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

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

Green credit

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

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

Carbon emission reduction instruments issued by the PBC

During the reporting period, the Bank continued to facilitate green, low-carbon development with financial strength. With the support of carbon emission reduction instruments, it issued carbon emission reduction loans of RMB14,708 million to 84 projects, ranking first among all

joint-stock banks in China, which contributed to an annual reduction of 3,338,100 tons of carbon dioxide equivalent. All these loans went to clean energy, energy conservation and environmental protection, carbon emission reduction technologies, and other fields pivotal to the realization of the goals of carbon peaking and carbon neutrality.

Underwriting green bonds

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

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

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

Green asset securitization & portfolio financing

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

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

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

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

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

The Bank actively implemented the strategic plans made by the CPC Central Committee to press ahead with rural revitalization in every respect, got efforts to consolidate and expand the achievements in poverty alleviation smoothly aligned with rural revitalization, and exploited its advantages as a professional financial service provider to optimize the long-lasting assistance mechanism which could facilitate industrial development, promote

consumption, stimulate the momentum of development, and empower the sustainable development of industry. To protect people from falling back into poverty and prevent new pockets of poverty, it worked hard to consolidate and expand the achievements in poverty alleviation and moved faster to modernize agriculture and rural areas. At the same time, the Bank continued to organize charitable activities in a wide range of fields such as supporting the old and raising the young, helping the poor, medical treatment and public health, and cultural education. Specifically, it actively carried out public welfare initiatives such as the “Dream Chasing Fireflies Initiative” for 1,000 Pediatric Staff Training and “Eyes for the World” Program for Children’s Vision Recovery Operation. To sum up, it took the initiative to assume social responsibilities with a sincere heart, and practiced the tenet of improving people’s wellbeing with financial forces.

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

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

5.3 Consumer Protection

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

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

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

5.4 Investor Relations Management

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

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

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

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

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

5.5 Employee Protection

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

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

Section VI Important Matters

6.1 Change to Registered Capital during the Reporting Period

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

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

None.

6.3 Illegal Provision of Guarantees during the Reporting Period

None.

6.4 Influences of Changes in Accounting Policies on the Bank

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

6.5 Appointment of and Termination of Relationship with Accounting Firms

In RMB10,000

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

In RMB10,000

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

6.6 Bankruptcy Reorganization during the Reporting Period

None.

6.7 Major Litigation and Arbitration

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

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

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

6.9 Related Party Transactions

6.9.1 Overview of related party transactions

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

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

6.9.2 Conditions of material related party transactions

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

Haitong Securities Co., Ltd.	RMB21.5 billion	4.35 %		credit line of HKD8 billion (equivalent value in another currency) and RMB21.5 billion, respectively.
Shanghai International Group Co., Ltd.	RMB12.04 billion and HKD500 million	2.28 %	The 23rd Meeting of the Seventh Board of Directors	The comprehensive credit line extended to the headquarters of Shanghai International Group Co., Ltd. was increased to RMB7.25 billion. The credit line was included in the group credit for management, and the group credit line was increased to RMB12.04 billion and HKD500 million simultaneously.
Orient Securities Co., Ltd.	RMB19.5 billion	3.69 %	The 25th Meeting of the Seventh Board of Directors	Orient Securities Co., Ltd. was granted a 1-year comprehensive credit line of RMB19.5 billion.
Shenergy Group Co., Ltd.	RMB20 billion	3.79 %	The 26th Meeting of the Seventh Board of Directors	Shenergy Group Co., Ltd. was granted a 1-year comprehensive credit line of RMB20 billion.
Bailian Group Co., Ltd.	RMB13 billion	2.46 %	The 27th Meeting of the Seventh Board of Directors	Bailian Group Co., Ltd. and Guotai Junan were granted a 1-year comprehensive credit line of RMB13 billion and RMB24.6 billion, respectively.
Guotai Junan Securities Co., Ltd.	RMB24.6 billion	4.66 %		
China Eastern Airlines Co., Ltd.	RMB10.46 billion	1.98 %	The 28th Meeting of the Seventh Board of Directors	China Eastern Airlines Co., Ltd. was granted a comprehensive credit line of RMB10.46 billion, which would

wed commercial principles, and was priced on terms no better than those for similar transactions with unrelated parties

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

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

6.9.3 Related legal persons and transaction amount

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

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

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

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

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

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

6.9.4 Related natural persons and transaction balance

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

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

In RMB millions

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

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

None.

6.9.6 Material related party transactions with joint outward investment

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

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

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

None.

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

6.12 Major Contracts and Their Execution

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

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

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

6.13 Major Entrusted Wealth Management Matters

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

6.14 Material Assets Acquisition, Sale or Disposal and Enterprise Merger

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

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

Section VII Changes of Shares and Shareholders

7.1 Overview of Equity Capital

7.1.1 Changes of ordinary shares

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

7.2 Shareholder Information

7.2.1 Total number of shareholders

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

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

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

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

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

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

7.3 Overview of Controlling Shareholders and De Facto Controllers

The Bank had no controlling shareholders or de facto controllers.

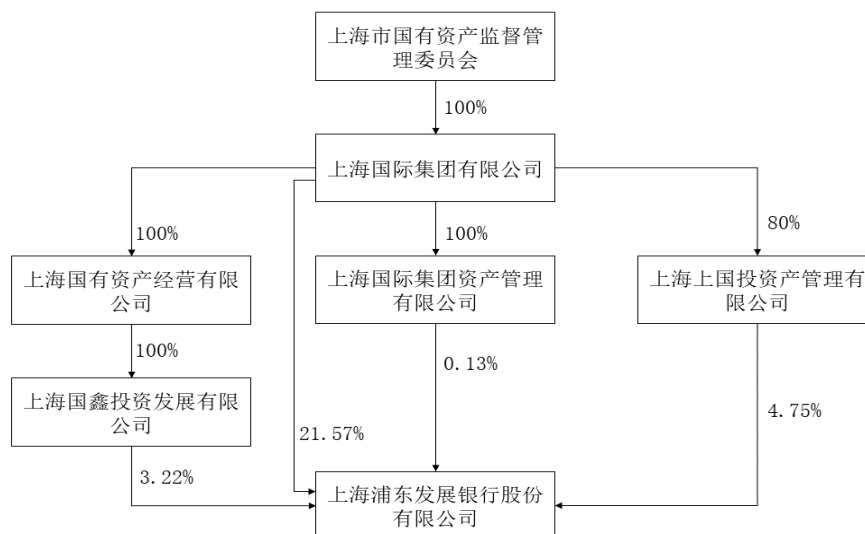
The largest consolidated shareholder of the Bank was Shanghai International Group Co., Ltd., which was not changed during the reporting period. As at the end of the reporting period, Shanghai International Group Co., Ltd. and its controlled subsidiaries held 29.67% shares of the Bank on a consolidated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

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

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

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

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



Shanghai State-owned Asset Management Co., Ltd. Shanghai Guoxin Investment Development Co., Ltd.	State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government Shanghai International Group Co., Ltd. Shanghai International Group Asset Management Co., Ltd. Shanghai Pudong Development Bank Co., Ltd.	Shanghai Sitico Assets Management Co., Ltd.
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7.4 Other Legal-person Shareholders Holding More Than 5% Shares of the Bank as at the End of the Reporting Period

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

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

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

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

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

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

China Mobile Communications Co., Ltd. is the controlling shareholder of Guangdong Mobile, and China Mobile Communications Group Co., Ltd. is the de facto controller and ultimate

beneficiary of Guangdong Mobile. China Mobile Communications Group Co., Ltd. nominated one director to the Bank, who was Zhang Dong.

7.5 Other Substantial Shareholders under the Regulatory Standards of the CBIRC

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

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

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

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

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

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

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

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

concert Shanghai Qiangsheng Group Co., Ltd., held 305,705,452 shares of the Bank, accounting for 1.04% of its total.

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

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

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

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

Section VIII Overview of Preference Shares

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

In 10,000 shares								
Code of preference share	Abbreviation of preference share	Issuance date	Issuance price (RMB)	Nominal dividend rate (%)	Number of issued shares	Listing date	Trade volume of listing	Date of delisting
360003	SPDB P 1	28 November 2014	100	5.58	15,000	18 December 2014	15,000	-
360008	SPDB P 2	6 March 2015	100	4.81	15,000	26 March 2015	15,000	-

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

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

8.2 Overview of Shareholders of Preference Shares

8.2.1 Total number of shareholders of preference shares

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

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

8.2.2.1 SPDB P 1

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

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

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

Assets Juyou No. 2 Equity Asset Management Product		shares	
Statement on whether there is connected relation among the top ten shareholders of preference shares and between the above shareholders and the top ten shareholders of ordinary shares, and whether they are persons acting in concert	<p>Ping An Life Insurance of China - Personal insurance bonus, Ping An Life Insurance of China - Self-owned funds, Ping An Life Insurance of China - Universal personal insurance and China Ping An Property & Casualty Insurance Co., Ltd. - Ordinary insurance product are persons acting in concert.</p> <p>Connected relations or concerted action relations of the aforesaid shareholders apart from the situations mentioned above are unknown to the Bank.</p>		

8.3 Distribution of Dividends on Preference Shares

8.3.1 Distribution of dividends on preference shares during the reporting period

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

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

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

In RMB100 millions

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

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

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

8.5 Voting Right on Preference Shares Recovered during the Reporting Period

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

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

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

On 28 November 2014 and 6 March 2015, the Bank issued non-cumulative preference shares with the offering value of RMB30 billion in total to domestic investors. The proceeds were accrued to other equity instruments with issuance expense deducted. The Bank has the option to redeem part or all outstanding preference shares on any dividend payment date after five years from the issuance if certain conditions are met, under the approval by the CBIRC. Holders of the preference shares have no right to require the Bank to redeem the

outstanding preference shares. Dividends of the preference shares are payable in cash on an annual basis at a fixed dividend rate which is adjusted every five years. The Bank has the right to not to declare or distribute the dividends of preference shares in part or in full.

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

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

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

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

Section IX Bonds

9.1 Information of Convertible Corporate Bonds

9.1.1 Issuance of convertible bonds

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

9.1.2 Convertible bond holders and guarantors during the reporting period

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

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

9.1.3 Changes in convertible bonds during the reporting period

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

Name of convertible corporate bonds	Before change (RMB)	Change during the reporting period (RMB)			After change (RMB)
		Conversion	Redemption	Back-sell	
SPDB Convertible Bond	49,999,099,000	389,000	-	-	49,998,710,000
Amount of conversion during the reporting period (RMB)					389,000
Number of converted shares during the reporting period (share)					27,113
Accumulated converted shares (share)					87,609
Percentage of accumulative converted shares of total outstanding shares prior to conversion (%)					0.0003
Amount of unconverted convertible bonds (RMB)					49,998,710,000
Proportion of unconverted convertible bonds to total issued convertible bonds (%)					99.9974

9.1.4 Previous adjustments of conversion price

The Bank distributed profit for ordinary A shares for 2020 on 21 July 2021. Pursuant to the Prospectus of Shanghai Pudong Development Bank Co., Ltd. for Public Issuance of Convertible Corporate Bonds as well as pertinent laws and regulations, if the Bank's equity

changes as it distributes cash dividends after the issuance of convertible bonds, the conversion price of convertible bonds shall be adjusted accordingly. Therefore, after the profit distribution, the initial conversion price of SPDB Convertible Bond was adjusted from RMB14.45 per share to RMB13.97 per share as of 21 July 2021 (ex-dividend date).

The adjustments to conversion prices are as follows:

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

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

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

9.2 Financial Bonds of the Bank

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

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

Section X Financial Report

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

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

10.3 Supplementary Data

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

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

Section XI Catalogue of Documents for Reference

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

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

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

Chairman: Zheng Yang

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

26 April 2022