浦发银行
SPD BANK

2020 Annual Report

Shanghai Pudong Development Bank Co.,Ltd

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 21st meeting of the Seventh Board of Directors held in Shanghai on 25 March 2021. Director Zhang Dong did not attend the meeting due to other business arrangements, and entrusted in written Director Wang Hongmei to vote on his behalf. Other Directors attended the meeting in person and cast their exercised their voting rights.

3. The 2020 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 Pan Peidong, 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 RMB4.80 (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 2020, the Bank's ordinary shares totaled 29,352,140,893, based on which the cash dividends to be distributed were calculated in RMB14,089 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 effectively manage and control various operating risks, which are shown in the "Risk Management" under Section IV "Discussion and Analysis of Business Operation".

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

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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.
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 2020
Reporting period	:	From 1 January 2020 to 31 December 2020
Same period of last year	:	From 1 January 2019 to 31 December 2020
End of last year	:	31 December 2019
Comparing periods	:	From 1 January 2019 to 31 December 2019 From 1 January 2018 to 31 December 2018

Section I Messages

1.1 Message from Chairman of the Board of Directors

Spring is the best season of a year, with everything coming back to life.

In 2020, China strove to complete the building of a moderately prosperous society in all respects and achieve the goals of the 13th Five-year Plan. It was also a year making the preparations for the 14th Five-year Plan and celebrating the 30th anniversary of opening-up of Pudong, Shanghai. In such an extraordinary year, all of us at SPD Bank spotted early opportunities from crisis and set the stage amid change. As a result, we attained sound business results and came at a new starting point to march towards high-quality development. In the year, the Group saw its total assets approaching RMB8 trillion, and racked up the operating income in RMB196.4 billion, with the net profit standing at RMB58.3 billion. Every step we have taken forward is attributed to the solidarity from tens of millions of customers, the long-term trust and full support from the vast number of shareholders, and the concerted, unremitting efforts of nearly 60,000 employees across the 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-lasting support and care in the growth and development of SPD Bank. It is all of you who offer a wellspring of motivation that drives our sustained development.

In the past year, we adhered to the leadership of Party building, and continued to raise corporate governance standards on a further consolidated footing, thus achieving tangibly positive results. The overall leadership of the Party was deeper incorporated into the corporate governance practice, so that it could provide driving forces for the continuous improvement of governance efficiency. As a complete set of corporate governance policies kept improving, different governance entities were enabled to play a better role. Closely following up with the regulatory requirements and cross-checking the best corporate governance practices and standards, we put in place a sound, efficient, coordinated, and balanced corporate governance regime.

In the past year, we became keenly aware of general trends of development, aligned ourselves with the world's top-notch standards, moved faster to make strategic planning, and achieved progress towards the critical battles set out in the three-year action plan. In the face of great changes unseen in a century, we persisted in adapting ourselves to changes and made remarkable strides in the implementation of the three-year action plan. We set out an overall strategic goal to "grow into a globally competitive, top-notch joint-stock commercial bank". Taking this as a starting point, we drew up an overarching blueprint for development during the 14th Five-Year Plan period, and took a step further to put forward a more ambitious goal of "reaching the first class in every respect". In the process, we strove to attain development with quality and efficiency significantly improved.

In the past year, we despite numerous difficulties threw ourselves into the COVID-19 response and the reopening of economy. Our efforts to facilitate the implementation of national strategies and transformation/upgrading of the national economy, therefore, yielded positive results. Faced up with the once-in-a-century COVID-19 pandemic, all people at SPD Bank dedicated themselves to their financial missions, showed their selfless care for the public, and overcame the unprecedented difficulties together with all the Chinese people.

Specifically, we set up 723 volunteer teams to fully support the fight against the pandemic. We went out all out to meet the requirements for ensuring stability on six key fronts and maintaining security in six key areas, keep increasing asset supply as needed by the real economy, support the implementation of many key regional development strategies on the national level, including the integration of the Yangtze River Delta, the coordinated development of the Beijing-Tianjin-Hebei region, the construction of Guangdong-Hong Kong-Macao Greater Bay Area, and better serve Shanghai's fulfillment of its major tasks related to the "five centers", "four functions", and "three major missions and one major platform". All of these steps gave a full expression of SPD Bank's image as a socially responsible enterprise.

In the past year, we strengthened capital management, worked harder to return shareholders, and safeguarded the rights and interests of stakeholders, all of which produced positive results. We successfully issued Tier 2 capital bonds in RMB80 billion, financial bonds in RMB50 billion, and perpetual bonds in RMB50 billion, with our capital strength further consolidated. The dividends distributed for the year totaled RMB17,611 million, with the cash dividend ratio exceeding 30%. Our Senior Management collectively bought nearly 400,000 shares of the Company for the third time, a move fully demonstrating its confidence in the future development of SPD Bank. The Board of Directors rolled out a series of measures, such as coming up with creative poverty alleviation modes through financial forces, promoting the development of green finance, strengthening consumer protection, enhancing customer experiences, and taking care of employee growth. It worked with all sectors of society to create a community of shared value economically, socially, and environmentally.

In the past year, we built ourselves on rigid risk control, by continuing to establish a comprehensively effective risk compliance and internal control management regime. To be specific, we kept improving the effective governance mechanism that was based on the three lines of defense, pressed ahead with the company-wide comprehensive risk management and rule of law, and implemented a prudently stable risk management culture. We made every effort to reduce risks with such measures as improving risk management capabilities, accelerating non-performing loan (NPL) collection and disposal, strengthening risk mitigation in key fields, and supporting the forward-looking, precise and efficient supply of high-quality assets. With the concept of "one bank" trickling down and permeating across the Bank, the Head Office was allowed to play a better leading role and carry out look-through management, push forward with the compliance system reform and the audit framework at greater depth, and forge a closed-loop management process. As a result, there was a further enhancement to the front-, middle- and back-office coordination as well as the performance in compliance internal control and auditing supervision.

Facing the vast ocean that embraces thousands of streams, let us set sail now that the wind is fair. SPD Bank turns 28 years old, an age full of vigor and vitality. With Shanghai culture in our DNA, we excel in invigorating ourselves with reforms, and attaining development through innovation. Looking to the new year, we, as a flagship company of the Shanghai International Financial Center, will strive to sharpen our core competitiveness, leadership in the industry, and global influence. We will put more emphasis on making overall planning and do our part to serve the big picture. While seeking changes from traditions, we will embark on a journey that leads us to new headway towards the formation of a new development pattern!

Seeking changes from traditions means we should align ourselves with the best corporate governance practice, explore the best corporate governance experience with Chinese characteristics on the premise of sustainable development, and strive to become a high-quality blue chip in the capital market. In 2021, we will continue to further integrate Party leadership into our efforts to improve corporate governance mechanisms. A modern corporate governance regime will come in place, where "Party leadership takes the core, the Board of Directors makes strategic decisions, the Board of Supervisors performs its oversight role independently, and the Senior Management operates as authorized". Under the regime, institutional advantages can be converted into greater governance efficiency. With reference to the ten standards for sound corporate governance, we will be committed to building an excellent board of directors to lead the Company towards high-quality development and enhancing the investor experience. Pursuing a market-based approach, we will share the value we create with investors, determined to become a high-quality, blue-chip enterprise that is built to last in the capital market.

Seeking changes from traditions means we should play the leading role of strategies and get off to a good start in the 14th Five-Year Plan period. In 2021, we will implement the 14th Five-Year Plan of both the state and Shanghai, and actively push forward with the Company's new five-year development plan. Strategic publicity will be enhanced to build a broader consensus on development, maintain strategic determination, and persist in reform and innovation. The strengthened strategic penetration and cooperation will enable us to enter new stages of high-quality development constantly. Taking "serving the implementation of national strategies" as a mission, we will do best to seize the opportunities presented by the country's push for technological innovation and accelerated economic transformation as well as by the massive development of Shanghai and the Yangtze River Delta. In the process, we will further enhance our comprehensive financial service capabilities, with our name card as "a local bank at the Yangtze River Delta" shining through.

Seeking changes from traditions means we should rely on customer experience and digital technology as the two-wheel drive to make superior businesses grow bigger and stronger and cast SPD as a well-known brand unique to ourselves. Since the outbreak of COVID-19 pandemic, digital technology has accelerated its in-depth integration with financial services, and commercial banks have gained pace in going online, intelligent, and digital. In this context, we will move faster to push forward with digital transformation. Bearing in mind a technical vision of "facing all users, running through the entire time domain, providing full services, and realizing complete intelligent connection", we will closely integrate digital technology with every aspect of customer experience. An enterprise-level operation and management structure will be built to achieve the interconnection within banks, between banks and customers, and between banks and partners. A new customer operation model will be forged with ultimate experience at the core, so that we could consolidate the customer base, gain new development advantages, and reshape brand new growth engines.

Seeking changes from traditions means we should reinforce the bottom line mindset and enhance the comprehensive risk management capabilities. In 2021, we will always remain vigilant against potential dangers and crises, follow closely up with changes to the macroeconomic landscape and policies, boost forewarning capabilities against various risks, and draw up contingency plans. All of these steps aim to build up our ability to manage risks in complex environments. By virtue of strengthened collaborative management, we will

accelerate the development of a group-oriented, enterprise-level digital risk control system, where three lines of defense could perform their respective duties and collaborate with each other efficiently, a prerequisite to realize comprehensive risk management without any blind spot left.

As the east wind blows, spring comes back again. The calls of the times get ever louder than before. The year 2021 marks the 100th anniversary of the founding of the Communist Party of China and the beginning of the “14th Five-Year Plan” period. It is of particular importance to China as it pursues the modernization drive, following the completion of the building of a moderately prosperous society in all respects. In the year, we will hold high the banner of reform and innovation, summon the strength to overcome any setback and difficulty, and get determined in securing a complete victory. Striding forward on the pathway to the strategic vision of “grow into a globally competitive, top-notch joint-stock commercial bank”, we will celebrate the upcoming 100th anniversary of the founding of the Communist Party of China with concrete action and even better performance!

Zheng Yang, Party Committee Secretary and Chairman

1.2 Message from President

To withstand the continuous impact caused by the COVID-19 pandemic and the complex situation brought about by the severe recession of the world economy, we in 2020 thoroughly implemented the decisions and plans set out by the CPC Central Committee and the State Council as well as the regulatory requirements, adapted ourselves to the new changes and trends arising from the new development pattern, and went all out to realize the strategic goal "develop itself into a first-class joint-stock commercial bank with international competitiveness in all respects, and make itself a pacesetter and pioneer of the high-quality financial development in the new era.

We took the initiative to serve the real economy with quality and efficiency further assured.

Highly aligned with national strategies, we ramped up investment in key areas. Our total assets approached the RMB8 trillion mark, and scale of corporate loans returned to the leading position among joint-stock banks. We answered the call by actively offering innovative services in a wide range of fields such as private enterprises, small and micro businesses, agriculture, rural areas and farmers, poverty alleviation, FinTech, green finance, and free trade. Of these, our medium and long-term loans to the manufacturing sector grew by 55%, a level far exceeding that of general loans. Besides, we prioritized supporting the implementation of many national strategies related to the Yangtze River Delta, Beijing-Tianjin-Hebei Region, and the Guangdong-Hong Kong-Macao Greater Bay Area. With focus put on "customer experience and digital technology" as the two-wheel drive, we managed to enhance our core competitiveness and leadership in the industry.

We used the current momentum to optimize the bank-wide business structure preferentially.

As we adjusted the debt structure at great depth, there was a continuous decline in the cost of liabilities. Our settlement deposits grew fast, after we intensively engaged strategic customers and vigorously expanded the size of such business lines as personal assets under management (AUM), agency payroll service, settlement, and custodian service. Our constant efforts to improve customer management capabilities and iterate business models propelled assets and liabilities towards a further balanced growth. We strove to broaden the sources of non-interest income. While maintaining our traditional advantages in investment banking, payment and settlement, credit card, asset management, custodian service and beyond, we actively developed wealth management business, which expanded the scale of funds under agency sales significantly and helped us gain an increasing market influence.

We laid a solid foundation and kept improving risk management capabilities.

We went all out to reduce risks. The NPL amount and ratio as two important indicators kept declining for four consecutive quarters, thus presenting a trend of continuous improvement. We promoted NPL recovery and disposal on the one hand and business development on the other. When it came to NPLs, multiple measures were adopted to curb downgrades in the asset classification. The annual cash recovery amount and ratio both hit new record highs. We remained at the vanguard of the industry by risk cost and capital utilization efficiency. As to business development, the supply of high-quality assets was increased efficiently and the quality of assets got further consolidated. At the same time, science and technology were allowed to play a better role in enabling comprehensive risk management to go professional

and digital.

We made forward-looking innovation to lead the digital transformation drive.

Digital technology is a powerful tool for commercial banks to carry out business, and open banking is an inevitable choice for them to seek transformation and development. The release of the "Panoramic Bank" blue paper, the co-publication of the "Bank of Things" white paper with Huawei, and the establishment the "Open Finance Alliance" altogether marked our development of open banking entered a new stage. We continued to optimize business models: the "countless households" connection project began to produce results, including 566 new API components that were added throughout the year to reach 14,000 customers; the "finance + technology" comprehensive service plan was iterated and refined to cover 36 new scenarios from 17 industries; and technology-enabled applications such as intelligent customer service, remote intelligent banking, digital human, and intelligent risk control were put into more extensive use, with the artificial intelligence (AI) recognition rate reaching 96% and AI services accounted for more than 85% of the total, making us the first bank in the industry to fully realize intelligent voice services over phone calls. We continued to build up scientific and technological strength, by establishing a technological cooperation community with 30 elite IT companies. The total number of technical personnel accounted for nearly 10% of our workforce, and the annual scientific and technological input stood at RMB5,715 million.

The year 2021 marks the start of the 14th Five-Year Plan period. In the year, the landscapes are still severely complicated at home and abroad. Under such a backdrop, we will continue to understand various policies in a forward-looking and accurate way, make dynamic adjustments to strategies, and follow the main business mission of "making featured business stronger, bolstering weak links, consolidating the foundation, and pushing limits". To increase the application of digital technology on all fronts, we will firmly grasp the historical opportunities presented by technical innovation and economic transformation under the new development pattern, and transform ourselves from a resource-dependent bank to a capability-oriented bank that can steal a march to making breakthroughs in serving the big picture of the country.

We focused on national strategies to enhance the service capabilities of "mega finance".

Dedicated to serving the implementation of national strategies, we set eyes on the integration of the Yangtze River Delta, the coordinated development of Beijing-Tianjin-Hebei region, and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, to strengthen the credit resources and comprehensive financial service support, fuel the country's drive for developing modern industries, and promote the optimization and upgrading of the current economic system. Looking into the future, we will rely on the Bank's advantage of wide range of financial licenses, including trust, fund, overseas investment banking, financial leasing, technology banking, and currency broker, among others to increase the group-wide synergy and improve comprehensive financial service capabilities. To shape "a local bank at the Yangtze River Delta" as a shining brand, we will secure a leading position among Chinese joint-stock banks by virtue of the extensive outlet coverage and impressive service capabilities. With the unparalleled courage, we will move faster to transform the home-field advantage into the absolute leading position among market peers. While promoting the high-quality development across the board, we will do our part to elevate the integrated development of the Yangtze River Delta to a new height.

We focused on wealth management to enhance the service capabilities of "mega asset management".

In the year, we were committed to building ourselves into the "customers' preferred bank for wealth management". Relying on "intelligence, professionalism, and ingenuity" as a pivot, we put in place an intelligent wealth management system that integrates demand solicitation, investment research & planning, and readily available interactive services. The delivery of the professional wealth management services that were panoramic, seamless and customized was enabled by the adoption of many measures such as strengthening market prediction, gathering leading institutions, leveraging the advantages of the Group, and tapping high-quality products, which was a prerequisite for reasonable planning of the allocation of general asset classes. As the asset management industry entered a new stage of competition, innovation, and mixed operation, we established a "mega asset management" business framework by making forward-looking arrangements in the business field and integrating various licenses available across the Group efficiently. With these steps, we led the industry by total assets under management and edged ourselves into the first echelon of market players by fee-based income from wealth management business. We continued to manage customer groups based on the factor market. Our fixed income, currencies, and commodities (FICC) business maintained a leading position in the market, and a number of transaction volumes ranked No. 1 across the industry. At the same time, we continued to enhance the value of the "SPDB Risk Hedging" brand, to provide customers in the real economy with distinctive value-added services. Moreover, the creation of a smart asset custodian service system ensured we could maintain the leading position as a Chinese commercial bank that possessed the fullest qualifications and the richest product lineups in the asset custodian business.

We focused on distinctive businesses to enhance the service capabilities of "mega investment banking".

Looking to the future, we will fully exploit the "pan-investment banking" mindset to actively integrate various resources including stocks, bonds and loans as well as diverse functions that span multiple markets and connect institutions of all sorts. While developing a wide range of businesses such as merger and acquisition (M&A) financing, bond underwriting, and syndicated loans, we will build up impressive direct investment capabilities, and escort companies throughout their growth process with quality financial services. In the meantime, we will continue to consolidate our advantages in technology innovation and finance. After striking partnerships with more than 70% of the listed companies on the Science and Technology Innovation Board (STAR market), we will shape the most shining brand as a preferred STAR market listing service provider, and combine "equity investment + FinTech" to achieve common growth with listed companies on a greater extent. As the only joint-stock commercial bank of China that has been included as one of the Innovative Cases in China (Shanghai) Pilot Free Trade Zone for ten consecutive times, we will continue to offer the country-leading FTZ-based financial service solutions, and go a step further to serve the high-value customer groups such as advanced manufacturing, cutting-edge industries, and modern services in different regions. In response to the calls of the state, we will thoroughly implement the national strategy to achieve peak carbon emissions and carbon neutrality. To this end, we will tap deep in fields of green and smart manufacturing, green urbanization, green energy, and carbon finance, prioritize supplying green financing services in the Yangtze River Delta and the Yangtze Economic Belt, and support the development of low-carbon

economy and green industries in China. Our endeavors to support energy-saving, eco-friendly industries with commercial activities and market mechanisms are aimed to forge ourselves into a low-carbon bank.

We focused on open banking to enhance the service capabilities of "mega ecosystem".

With the accelerated development of the industrial Internet, it is an inevitable choice for banks to upgrade their business model to a stage of ecology-based operation, by integrating themselves into every domain of industrial chains, urban governance and other aspects. The ultimate goal of this process is to achieve symbiotic development within a mega ecosystem. As the pioneer in the industry to put forward the concept of "open banking", we have continued to expand the ecosystem of digital innovation. According to the characteristics of the three major customer groups: retail customers, enterprises, and government agencies, we rolled out the APP + API platform model that allowed us to push back service boundaries, keep informed of customer flow inlets, and conduct intensive customer operation. In the future, we will further build an industry-specific financial service platform and a digitalized social service platform, which are expected to function as our pool of FinTech means and industrial solutions. As part of these platforms, new models will be proposed to help our corporate and institutional customers attain new development. In the meantime, we will move faster to improve an ecosystem-based business platform called "SPD Life Service", to attract the influx of enterprises and merchants, to introduce more types of non-financial services and functions, and to expand the coverage of diverse scenarios. With these moves, the platform is 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 loyal to SPD Bank.

SPD Bank will work hard to create an even brighter future, as it did in the past. To this end, we will rely on digital technology and powerful synergy to make sure proper management can penetrate the Bank as a whole. Coupled with the impactful implementation and execution of strategies, all of us at SPD Bank will make concerted, unremitting efforts to create value for society, allow shareholders to further benefit from our value growth, and embark on a new journey to grow into a first-class joint-stock commercial bank in all respects!

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

1.3 Message from Chairman of the Board of Supervisors

In the face of the severe and complex situations at home and abroad, especially the severe impact of the abrupt COVID-19 outbreak in 2020, the Company thoroughly implemented the decisions and arrangements made by the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee and the Shanghai Municipal Government. As per the regulatory requirements and the three-year action plan, we spearheaded the efforts to control the pandemic spread and seek for business development. Specifically, the Bank vigorously supported the resumption of work and production, went all out to help ensure stability on six key fronts and maintain security in six key areas, did everything possible to serve the real economy, and took solid moves to push forward various aspects of operation and management work. As a result, hard-won business results were achieved on all fronts.

In 2020, the Board of Supervisors of the Company strove to overcome the adverse effects inflicted by the pandemic. With the support and cooperation of the Board of Directors and the Senior Management, it, abiding by the pertinent laws and regulations, regulatory requirements and the Articles of Association of the Company and following the division of responsibilities for various entities in corporate governance, accurately pinpointed its functional positioning, performed its duties legally and diligently, and oversaw the duty performance by the Board of Directors, the Senior Management and their members as well as the financial, risk, and internal control management. In doing so, it endeavored to get more out of supervision efforts, integrated supervision measures into development, and helped propel the Company towards high-quality development.

In the past year, the Board of Supervisors of the Company held meetings in accordance with the pertinent laws and regulations, with focus put on the Company's strategic planning, capital management, financial reporting, comprehensive risk management, internal control and compliance, remuneration management, and internal auditing, and other major matters related to business management. The convening of these meetings further ensured the legal and compliant operation of the Company.

In the past year, the Board of Supervisors of the Company oversaw the duty performance by the Board of Directors and its members in accordance with the pertinent laws and regulations. Emphasis was placed on the legality of decisions made by the Board of Directors and its members, the Company's development strategies, the implementation of business concepts, and the improvement of the Company's corporate governance system. Consequently, the Company saw its governance capabilities improved.

In the past year, the Board of Supervisors of the Company oversaw the duty performance by the Senior Management and its members in accordance with the pertinent laws and regulations. Emphasis was placed on the implementation of national strategies, regulatory provisions, company-wide strategic planning, and Board decisions by the Senior Management and its members. With these endeavors, the execution and management capabilities of the Company were beefed up.

In the past year, the Board of Supervisors of the Company carried out a tour inspection on the primary-level outlets to supervise and inspect the COVID-19 response, the implementation of the three-year action plan, and the fulfillment of core messages delivered at the annual work conference of the Bank. It came up with a series of working requirements: along with fighting against COVID-19, losing no time to push forward with the three-year

action plan and the key tasks for the year, strengthening the group-wide coordination, adhering to the “one legal person” concept and the principle of compliant operation, and boosting the execution power substantially. The purpose of these requirements was set to better boost the development of the regional economy and society.

In the past year, the Board of Supervisors of the Company paid ongoing attention to financial risk forewarning indicators and their improvements, supervised and inspected the forewarnings about financial risks, kept abreast of these forewarning indicators and their improvements, to make sure these indicators can perform better.

In the past year, the Board of Supervisors of the Company followed closely the comprehensive risk management, by carrying related supervision and inspection and keeping abreast of the management status and system optimization, implementation of differentiated policies for different branches, and other aspects. Meanwhile, it required promoting the reform of the comprehensive risk management system given the characteristics of the Company in the current stage, so as to strengthen the comprehensive risk management effectively, give full play to the role of risk management, enhance risk management capabilities, guard against financial risks efficiently, and facilitate high-quality development of the Bank across the board.

In the past year, the Board of Supervisors of the Company focused on the compliance and internal control management. It conducted compliance and internal control-themed supervision and inspection, to become keenly aware of how compliance and internal control was going on and what improvements its management system achieved as well as the work done in money laundering risk management, examination and enhancement of bank-wide policies, and implementation of rectification measures. In doing so, it made sure the business philosophy of compliant operation took root across the Bank, and all employees raised their awareness of compliance risks, thus constantly enhancing the binding force and execution of policies.

In the past year, the Board of Supervisors of the Company took an active interest in FinTech innovation and carried out special surveys on FinTech innovation. It required going all out to implement the three-year action plan, accelerated the progress of digital transformation, led the innovation in digital service models, and strengthened the enabling role of digitalized operation. In the process, it beefed up the ability across four areas: look-through management, customer operation, risk management, and digitalized management of compliance and internal control.

In the past year, the Board of Supervisors of the Company focused on its ability building, by continuing to optimize the supervision and governance system and supervision methods, improving the supervision mechanisms, strengthening learning and exchanges, and increasing coordinated cooperation with departments engaged in auditing, internal control and compliance, risk management among others to generate a supervisory synergy. Thanks to these efforts, the efficiency of supervision got improved.

The road ahead is obstacle-packed and long. However, a bright future still can be expected, as long as you keep going.

The year 2021 marks the beginning of the 14th Five-Year Plan period in China. It also witnesses that the Company standing at a new starting point to attain a new round of

high-quality development. Looking to the year, the Board of Supervisors of the Company will thoroughly study and comprehend the core messages delivered at the Fifth Plenary Session of the 19th CPC Central Committee and the Central Economic Work Conference, and implement the decisions and arrangements of the CPC Central Committee, the State Council, the CPC Shanghai Municipal Committee, and the Shanghai Municipal Government. To align itself with advanced standards at home and abroad, it will improve corporate governance practice, conduct supervisory activities in accordance with laws and regulations, and further improve duty performance capabilities. The Board of Supervisors will escort SPD Bank through its next stage of "growing into a globally competitive, top-notch joint-stock commercial bank"!

Wang Jianping, Chairman of the Board of Supervisors

Section II Corporate Profile

2.1 Company Information

Chinese name	上海浦东发展银行股份有限公司
Chinese name in short	上海浦东发展银行、浦发银行
English name	SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.
English name in short	SPD BANK
Legal Representative	Zheng Yang
Initial registration date	19 October 1992
Registered & office address	12, Zhongshan Road (E-1), Shanghai 200002 PRC
Uniform Social Credit Code	9131000013221158XC
Financial Institution License Serial	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	Li Guangming, Wu Rong
Address	Secretariat to the Board of Directors & Supervisors at 12, Zhongshan Road (E-1), Shanghai	
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Note: Due to change of job, Mr. Li Guangming ceased to serve as Listing Affairs Representative of the Bank as of 25 March 2021.

2.3 Information Disclosure and Access Site

Media partners selected for information disclosure	“China Securities Daily”, “Shanghai Securities News”, “Securities Times”
Website designated by the CSRC to	http://www.sse.com.cn

publish this annual report	
Annual report prepared at	Secretariat to the Board of Directors & Supervisors

2.4 Stocks

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

2.5 Other Related Documents

Accounting firm engaged (financial statements prepared as per Accounting Standards for Business Enterprises)	Name	KPMG Huazhen LLP
	Office address	F/8, KPMG Tower, Oriental Plaza, No. 1 East Chang'an Avenue, Dongcheng District, Beijing, China
	Names of signatory accountants	Shi Haiyun, Dou Youming
Accounting firm engaged (financial statements prepared as per International Financial Reporting Standards)	Name	KPMG Huazhen LLP
	Office address	F/8, KPMG Tower, Oriental Plaza, No. 1 East Chang'an Avenue, Dongcheng District, Beijing, China
Sponsor institution performing continuous supervision duties during the reporting period	Name	CITIC Securities Co., Ltd.
	Office address	F/23 CSCES Tower, No. 1568 Century Avenue, Pudong New Area, Shanghai
	Names of sponsor Representatives	Zhu Yu, Jiang Ying

	Period of continuous supervision	15 November 2019 - 31 December 2020
	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	15 November 2019 - 31 December 2020
Depository of ordinary outstanding shares with restricted sale conditions		China Securities Depository and Clearing Co., Ltd. Shanghai Branch

2.6 Corporate Development Strategy

The Bank takes "serving the implementation of national strategies and the overall development of economy and society" as its paramount mission, keeps up with the trends of how the Chinese economy will transform and upgrade and works hard to serve the new development pattern featuring a strong domestic market and the positive interplay between domestic circulation and international circulation as well as a host of major national strategies such as the integration of Yangtze River Delta, the coordinated development of Beijing-Tianjin-Hebei Region, and the development of Guangdong-Hong Kong-Macao Greater Bay Area. It vigorously supports the key infrastructure projects on the national and regional levels as well as the development of undertakings in favor of people's wellbeing, facilitates the country's development of a modern industry system, boosts the upgrading of the economy system, and constantly gives full play to the credit resources and comprehensive financial services. As a bank headquartered in Shanghai, it greatly supports the city in fulfilling a host of major tasks related to "three major missions and one major platform", "four functions", "five centers", etc. through enhanced innovation in businesses of corporate banking, retail and financial markets, and helps build Shanghai into the central node of the domestic circulation and a strategic link of domestic and international circulations and into a modern international socialist metropolis with worldwide influence.

The Bank proposes the strategic goal of "comprehensively 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". Centered on the aforesaid strategy, the Bank puts forward a path of development, which advocates the high-quality development as the main task, puts service as the core, adopts a market-oriented approach, and relies on customer experience and digital technology to enhance the core competitiveness, industry-wide leading edge, and global influence. In pushing forward various strategies and measures continuously, it will strive to become a trustworthy, preferred bank in the eyes of customers, a high-quality blue chip of 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.

2.7 Analysis on Core Competitiveness

In 2020, focusing on the five-year strategic development plan and the strategic goal of "comprehensively building into a globally competitive, top-notch joint-stock commercial bank", the Bank made consistent efforts to improve the quality and efficiency of serving the real economy. Adhering to the general principle of pursuing progress while ensuring stability, it always focused on development as the top priority, harnessed reform and innovation as the key source of momentum, pursued high-quality development as the main task, delivered financial services as its founding mission, adopted a market-based approach, and kept enhancing its core competitiveness, industry leadership and global influence. In particular, since the outbreak of COVID-19, the Bank focused on both pandemic prevention and control and business development, and maintained steady growth in business performance.

The Group owns many financial licenses allowing it to operate in banking, leasing, funds, trust, currency brokerage and overseas investment banking, and is capable of providing customers with comprehensive financial services. It continuously increased efforts for coordinated development across the Group and enhanced the all-round and multi-tier collaboration, thereby improving the quality and efficiency of the Group-wide synergy.

2.8 Rankings and Awards

Domestic and overseas rankings	
Forbes	65th among the "Forbes Global 2000", 16th among Chinese enterprises and 9th among Chinese banks on the list.
The Banker	20th among the "Top 1000 World Banks", 7th among the Chinese-funded banks on the list. 15th among the "Top 500 Banking Brands" and 7th among the Chinese-funded banks on the list; brand value worth USD15,053 million; brand rating of AAA-.
Fortune	220th among the "Fortune Global 500", 58th among Chinese enterprises and 7th among Chinese banks on the list.
Shanghai Enterprise Confederation	6th among 2020 Top 100 Shanghai Enterprises and 4th among 2020 Top 100 Shanghai Service Enterprises
Comprehensive financial service	
People's Bank of China	The "Research and Exploration of Building a Data Middle Office under the Data-Driven Mode" and "Automatic Case Generation Project Based on Testing, Analysis and Modeling" won the second prize of the 2019 Banking Technology Development Award. The "Digital Intelligence Sky Eye Risk Control Decision-making System", "New Retail O2O Online Gathering Ecosystem Project", "Smart Retail Customer Marketing Project" and "Cloud-based Original 100 Million-level Traffic E-commerce Payment Link System" won the third prize of the 2019 Banking Technology Development Award.
Shanghai Municipal	The "Whole-process Intelligent Risk Control Innovation Platform for Retail Banking Wealth and Payment Business" project won the second

People's Government	prize of the 2019 Shanghai Financial Innovation Achievement Award
Shanghai Stock Exchange	Excellent Underwriter of Local Government Bonds and Excellent Underwriter of Financial Bonds of Shanghai Stock Exchange
Shanghai Futures Exchange	2020 Diamond Award for Market Making Business, Special Contribution Award for Market Making Business, Excellent Member Award, Precious Metal Industry Service Award, Excellent Dealer of Standard Warehouse Receipt Platform
Shanghai Gold Exchange	2019 Excellent Member, Best Competitive Trading, Best Innovative Benchmarking Institution, Best Inquiry-based Trading Contribution Institution, Best Inquiry-based Market Development Contribution Institution, Best Special Level Institution of Inquiry-based Trading Institution, and Special Contribution Award for Market Stability during the Pandemic
China Central Depository & Clearing Co., Ltd.	2020 Excellent Asset Custodian
China Foreign Exchange Trade System (National Interbank Funding Center)	2020 Core Dealer, Excellent Dealer in Money Market, Bond Market and Derivatives Market, Excellent Issuer of Interbank Certificates of Deposit, Excellent Asset Management Institution, Contribution to Opening-up Award, Market Innovation Award and X-Repo, X-Swap, X-Lending and iDeal Trading Mechanism Innovation Award
China Banking Association	"Best Performance Award" and "Best Project Award" in the 2020 Syndicated Loan Business Selection, and second prize of "Best Application Achievement Award" in the 2020 FinTech Application Achievement Contest in the Chinese Banking Industry
China Mergers & Acquisitions Association	The M&A Project of Shandong Yingcai University by Yuhua Education won the Best M&A Deal Award
Shanghai Banking Association	"58.com Privatization and M&A Financing Project" and "M&A Integrated Financial Services for M&A of United Family Healthcare by New Frontier" won the Best Investment Banking Case
China Financial Certification Authority	Best FinTech Innovation Application Award, Best Mobile Banking Security Award
The Export-Import Bank of China	"Excellent Underwriter" of RMB Financial Bonds, Contribution Award in Anti-pandemic and Resumption of Work and Production
Agricultural Development Bank	2020 Excellent Underwriter, Best National Commercial Bank, Best Social Responsibility Award, Excellent Secondary Market Maker, Excellent Stock Exchange Underwriter
China Development Bank	2020 Excellent Underwriter in Inter-bank Market, Excellent Underwriter in Stock Exchange Market, Most Socially Responsible Organization – Multi-market Co-development, Most Socially Responsible Organization – Anti-pandemic Pioneer, Best Bidding Performance Institution

The Chinese Banker	"Top 10 Investment Bank Innovation Award" of "2020 China Financial Innovation Award"
Securities Times	Gamma Award for Banking Asset Custody Bank in China
Financial Money	"2020 Gold Market Potential Financial Product – Pension Product" of the 11th Golden Pixiu Award in 2020
Trade Finance	2020 Best Treasury Management Bank
JRJ.com	"Outstanding Corporate Bank Award" in the annual selection of 2020 China Finance Online "Piloting China"
Directors & Boards	Golden Round Table Award – Best Board of Directors
China Business Top 100	The 13th place in the Top 100 Enterprises and the "20-year Special Contribution Award" of China's Top 100 Enterprises
China Financial Advancement Forum	Best Sponsor of the Year in 2020 "Advancement Award" for Real Estate Securitization
	The 2019 Tranche I Asset-backed Note Project of Qilu Transportation Investment Co., Ltd. won the ABS/ABN Award for Outstanding Fee Income Right of the Year
	Puxin Anju Tranche I of 2020 Personal Housing Mortgage Loan Asset-backed Securities Project won the Annual Outstanding RMBS Award
Eastmoney Award	2020 Excellent Family Trust Service Cases, 2020 Best Custodian Bank
Corporate social responsibility	
China Banking Association	"Best Green Finance Achievements Award" in 2019 Top 100 Socially Responsible Institution Evaluation of China's Banking Industry, and the Model Unit in 2019 Overall Evaluation of Green Banks
China Banking and Insurance News	"Excellent Communication Case of Social Responsibility" in the 2020 China's Financial Brand Influence Selection
Securities Times	"Social Responsibility Award of China's Listed Companies" in the 14th China's Listed Companies Value Selection
National Business Daily	"Most Responsible Listed Company Award" on the 10th Reputation List of China Listed Companies

2.9 International Credit Ratings as at the End of the Reporting Period

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

Section III Key Indicators

3.1 Major Accounting Data and Financial Indicators

In RMB millions	**2020 Audited**	2019 Audited	Increase/(decrease) compared with the same period of last year (%)	2018 Audited
Major accounting data				
Operating income	196,384	190,688	2.99	170,865
Total profit	66,682	69,817	-4.49	65,284
Net profit attributable to the parent company's shareholders	58,325	58,911	-0.99	55,914
Net profit attributable to the parent company's shareholders deducting the non-recurring gains and losses	57,910	57,554	0.62	55,643
Net cash flows from operating activities	126,385	-68,628	N/A	-338,360
Main financial indicators				
Basic earnings per share (RMB)	1.88	1.95	-3.59	1.85
Diluted earnings per share (RMB)	1.73	1.92	-9.90	1.85
Basic earnings per share after deducting non-recurring gains and losses (RMB)	1.87	1.90	-1.58	1.84
Net cash flows from operating activities per share (RMB)	4.31	-2.34	N/A	-11.53
Profitability indicators (%)				
Weighted ROE	10.81	12.29	Down 1.48 percentage points	13.14
Weighted ROE after deducting non-recurring gains and losses	10.73	12.00	Down 1.27 percentage points	13.08
Returns on average total assets	0.79	0.90	Down 0.11	0.91

			percentage point	
Fully-diluted ROE	10.46	11.58	Down 1.12 percentage points	12.27
Fully-diluted ROE excl. non-recurring gains and losses	10.38	11.30	Down 0.92 percentage point	12.21
Net interest spread	1.97	2.27	Down 0.30 percentage point	2.06
Net interest margin	2.02	2.34	Down 0.32 percentage point	2.13
Cost-to-income ratio	23.78	22.58	Up 1.20 percentage points	24.90
Cash dividend ratio	25.50	30.80	Down 5.30 percentage points	18.96
Percentage in total operating income (%)				
Net interest income to operating income	70.57	75.79	Down 5.22 percentage points	72.06
Non-interest income to operating income	29.43	24.21	Up 5.22 percentage points	27.94
Net income of fee and commission to operating income	17.29	12.99	Up 4.30 percentage points	16.23

In RMB millions	**At the end of 2020** **Audited**	At the end of 2019 Audited	Increase/(decrease) compared with the same period of last year (%)	At the end of 2018 Audited
Scale indicators				
Total assets	7,950,218	7,005,929	13.48	6,289,606
Incl.: Total loans	4,533,973	4,025,901	12.62	3,598,474
Total liabilities	7,304,401	6,444,878	13.34	5,811,226
Incl.: Total deposits	4,076,484	3,627,853	12.37	3,227,018
Net assets attributable to the parent company's shareholders	638,197	553,861	15.23	471,562

Net assets attributable to the parent company's ordinary shareholders	528,288	493,945	6.95	441,642
Net assets per share attributable to the ordinary shareholders of the parent company (RMB)	18.00	16.83	6.95	15.05
Asset quality indicators (%)				
NPL ratio	1.73	2.03	Down 0.30 percentage point	1.90
Allowance to NPLs	152.77	134.94	Up 17.83 percentage points	156.08
Allowance to total loans	2.64	2.74	Down 0.10 percentage point	2.97

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 RMB825 million and RMB837 million of SPDB P2 and SPDB P1, respectively in March and December 2020. The Bank paid interest of RMB1,419 million on SPDB 2019 Perpetual Bonds in July 2020. 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 of the two tranches and the payment of interest on perpetual bonds.

(3) Non-recurring gains and losses are 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 gains and losses = 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 is the difference between average yield of total interest-earning assets and 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 29,352,140,893, the total ordinary shares of the Company 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.

3.2 Differences between Accounting Data Prepared as per ASBE and IFRS

Since the Group adopted the IFRS 16 Leases on 1 January 2019 for the first time, differences have emerged in the net profit and net assets of the Group for the reporting period between its domestic financial statements prepared as per the Accounting Standards for Business Enterprises (ASBE) and its international financial report prepared pursuant to the International Financial Reporting Standards (IFRS). Related standard explanation can be seen in the "Preparation basis and accounting policy" with respect to international financial statements. Differences in accounting data are displayed as below:

In RMB millions

Accounting standards	**Net profit in the period**	Net assets as at the end of the period
ASBE	**58,993**	645,817
IFRS	**58,924**	645,216
Difference in amount	**69**	601

3.3 Key Financial Data per Quarter of the Group in 2020

In RMB millions

Item	1st quarter (Jan. - Mar.)	2nd quarter (Apr. – Jun.)	3rd quarter (Jul. – Sep.)	4th quarter (Oct. – Dec.)
Operating income	55,424	45,983	47,324	47,653
Total profit	20,706	12,860	18,066	15,050
Net profit attributable to the parent company's shareholders	17,361	11,594	15,787	13,583
Net profit attributable to the parent company's shareholders deducting the non-recurring profit or loss	17,296	11,501	15,753	13,360
Net cash flows from operating activities	92,378	30,959	86,753	-83,705

3.4 Non-recurring Gains and Losses and Amount

In RMB millions

Item	**2020**	2019	2018
Proceeds from disposal of non-current assets	**-8**	1,470	51
Government subsidies	**720**	485	515
Other net non-operating expense	**-54**	-47	-59
Income tax effect of non-recurring gains and losses	**-179**	-488	-147
Total	**479**	1,420	360
Incl.: Non-recurring gains and losses attributable to the parent company's ordinary shareholders	**415**	1,357	271
Non-recurring gains and losses attributable to minority shareholders	**64**	63	89

Section IV Discussion and Analysis of Business Operation

4.1 Overall Business Operation and Analysis on Competitive Edges of the Bank

4.1.1 Overall Business Operation of the Bank

To withstand the impact caused by the COVID-19 pandemic, since 2020, the Group has actively implemented the national strategies and regulatory requirements, did everything possible to ensure stability on six key fronts and maintain security in six key areas, and kept keenly aware of new changes and new trends presented by the "dual circulation" development pattern. Focused on the goals set out in the three-year action plan, it took high-quality development as one of its main tasks, relied on customer experience and digital technology as the two-wheel drive, and made confident, unremitting efforts to serve the real economy, increase venture capital accrual, and lay a solid foundation for stable development. Therefore, great strides were made in business operation.

Assets and liabilities attained balanced growth.

As at the end of the reporting period, the total assets of the Group posted RMB7,950,218 million, representing an increase of RMB944,289 million or 13.48% over the end of previous year. Of these, the balance of loans in local and foreign currencies stood at RMB4,533,973 million, representing an increase of RMB508,072 million or 12.62% over the end of previous year. The Group's total liabilities amounted to RMB7,304,401 million, an increase of 13.34%, of which the balance of deposits in local and foreign currencies was RMB4,076,484 million, an increase of RMB448,631 million or 12.37% over the end of 2019.

Operating income grew steadily.

During the reporting period, the Group saw its operating income increasing steadily. The Group achieved an operating income of RMB196,384 million, an increase of RMB5,696 million or 2.99% over 2019; a total profit of RMB66,682 million; and net after-tax profits attributable to the parent company's shareholders of RMB58,325 million. In 2020, the average return on assets (ROA) of the Group stood at 0.79%, the weighted average return on equity (ROE) was 10.81%, and the cost-to-income ratio went up 1.20 percentage points to 23.78%, compared with the previous year.

The business structure was optimized continuously.

During the reporting period, the Group took multiple measures to adjust structure and stabilize growth, with remarkable effects produced in this regard. Its three major business segments saw their operating income structure being optimized continuously. Retail banking continued making the largest contribution among all business lines; the net interest income of the Group amounted to RMB138,581 million; and the net non-interest income of the Group posted RMB57,803 million, up 25.21% year on year.

Asset quality continued to improve.

During the reporting period, the Group's credit business operated steadily. The new NPLs grew slower, and risk resolution progressed as scheduled. The NPL ratio at the end of 2020 decliend compared with the year beginning, with asset quality improved. As at the end of the reporting period, based on the five-tier loan classification, the Group's balance of NPLs in the last three categories (namely substandard, doubtful and loss) was RMB78,461 million, a

decrease of RMB3,420 million over the end of 2019. The NPL ratio stood at 1.73%, a decrease of 0.30 percentage point over the end of 2019. The NPL coverage ratio posted 152.77%, an increase of 17.83 percentage points from the end of 2019.

Steady progress was made towards conglomeration and internationalization.

During the reporting period, the companies in which the Group invested generated revenue worth RMB11,764 million and net profit worth RMB3,473 million. These companies covered a wide range of business fields such as trust, financial leasing, fund, rural banking, technology banking, overseas investment banking, and currency brokerage. Overseas branches saw their total assets crossing the RMB200 billion mark. Of these, Hong Kong Branch became further influential in the 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.

4.1.2 Analysis on Competitive Edges of the Company

4.1.2.1 Consolidated regional advantages in the Yangtze River Delta

As a national joint-stock bank headquartered in Shanghai, SPD Bank regards serving the Yangtze River Delta as a strategic stronghold for business development. It strives to promote financial reform and opening up and seek innovative development, in the hopes of expanding its home-field advantages in Shanghai to the entire Yangtze River Delta region.

(1) Wide distribution of branches/institutions and a broad customer base

The Company has established seven branches in Shanghai, Nanjing, Hangzhou, Ningbo, Suzhou, Hefei and China (Shanghai) Pilot Free Trade Zone ("Shanghai FTZ") of the Yangtze River Delta, which possessed total assets of nearly RMB2.2 trillion, operated more than 500 business entities in total, and hired over 10,000 employees. Taken together, it secured a leading position among joint-stock banks in the region by both business coverage and service capabilities. Ahead of all peers, the Company set up a management headquarters of the Yangtze River Delta Integrated Development Demonstration Zone, and launched a series of innovative, distinctive financial services such as "Yangtze River Delta Loan", "Yangtze River Delta Bond", "Yangtze River Delta Purchase" and "Yangtze River Delta Chain". As at the end of the reporting period, the Company served more than 360,000 corporate customers and 28 million retail customers in the Yangtze River Delta. Its RMB loans in the region totaled RMB1.38 trillion and outstanding deposits reached RMB1.74 trillion. The Company ranked first among joint-stock banks by outstanding deposits and loans.

(2) Vigorous support for the integrated development of the Yangtze River Delta

Vigorously supporting the building of the STAR Market. Taking the establishment of the STAR Market as an opportunity, the Company worked with various entities such as government organs, securities firms, PE/VCs, and high-tech companies to launch the full-cycle, whole-process, cross-market, intelligent and integrated financial services. As at the end of the reporting period, the Company served more than 40,000 high-tech companies, representing an increase of over 5,000 from the beginning of the year. The loan balance of these companies exceeded RMB240 billion, up 33% from the beginning of the year. Of the companies listed on the STAR Market, more than 70% were customers of the Company.

Strengthening the support for green economy with financial services. The Company fulfilled social responsibilities due to financial enterprises, tapped deep into a wide range of fields such as green and smart manufacturing, green urbanization, green energy, and carbon finance, strengthened product development and innovation, and put focus on the supply of green financing in the Yangtze River Delta and the Yangtze Economic Belt. As at the end of the reporting period, the Company's green credit balance stood at RMB262.8 billion, an increase of RMB37.5 billion from the beginning of the year.

Fully supporting the construction of the Shanghai FTZ New Area. The Company continued to maintain its leading edge over FTZ business in Shanghai. Its outstanding loans granted to enterprises at the Lingang New Area went beyond RMB10 billion. It took the lead in rolling out over 14 innovative businesses in the area, which included the first cross-border RMB facilitation services for the high-quality enterprises that had settled down there, the first deal of full-functional, cross-border and two-way capital pool business, and the first digitalized facilitation services for cross-border payment agencies. The Company topped the comprehensive ranking of core free trade business among joint-stock banks.

4.1.2.2 Advantages in intelligent wealth management services

Relying on "intelligence, professionalism, and ingenuity" as a pivot and upholding the "panoramic bank" blueprint of "facing all users, running through the entire time domain, providing full services, and realizing complete intelligent connection", the Company did the following: building an intelligent wealth management system, releasing the "SPDB Zhuoxin" wealth management brand, and applying a host of cutting-edge FinTech such as AI, big data, cloud computing, blockchain, Internet of Things (IoT), and virtual reality (VR) to various business scenarios represented by customer demand solicitation, investment research & planning, and readily available interactive services, with a view to turning SPD Bank into the "customers' preferred bank for wealth management".

(1) Full-process control enabled by intelligent and digital technologies

Digital product management: Agency products saw their full life cycle management going digital, which consisted of access review, online review, duration monitoring, and automatic notification of risk forewarnings. **Digital smart marketing**: More than 2,000 retail customer labels (32 sub-categories and seven categories) as well as 360-degree panoramic customer portraits were realized to gain in-depth customer insights. Customer experience sketching and automatic tracking enabled the Company to do active marketing. Profit experience analysis tools were developed to support personalized settings of profit/loss stop and automatic trigger reminders. **Digital channel operations**: The "smart brain in the hall" concept was put forth to support intelligent perception, smart calculation, and precise service delivery. The mobile banking app was upgraded to deliver a full-chain wealth management experience that supported yield prediction (before investment), daily inquiry into yield (during investment), and yield traceability (after investment). Besides, intelligent operations launched throughout the year also included intelligent voice service, digital human, and 30 real-time trading perceptions. **Digital risk control**: An intelligent risk control system was put in place to ensure the compliant sales of wealth management business. Compliance requirements such as audio and video recording were embedded into business processes for beforehand control. Furthermore, recordings could support automatic broadcasting and real-time intelligent inspection.

(2) The number of customers and total AUM both reached a higher level.

The Company focused on the building of a panoramic bank to explore customer business models, enabled financial services to reach more customer scenarios, and provided distinctive, high-quality financial services. As at the end of the reporting period, the Company had 118 million retail customers. The balance of personal financial assets under its management (including market value) reached RMB3.13 trillion, maintaining a trend of steady growth. The balance of personal deposits stood at RMB939 billion. The wealth management income hit RMB7.07 billion.

(3) Comprehensive services were delivered to help customers attain steady wealth appreciation.

During the reporting period, the Group prioritized cooperation with leading companies, strengthened its multi-license synergy, developed the agency sales of fund, trust, insurance and other products vigorously, and strove to help customers achieve sustained and steady wealth appreciation. The balance of personal **wealth management products** stood at RMB992,806 million, and the balance of new net-worth wealth management products as a share of the personal wealth management products surged by 30 percentage points to 67%. As to the **fund business**, the Company strengthened market research and prediction. It optimized a reserve of selected funds named "Kao Pu Selection", with the funds under management exceeding RMB150 billion and those sold by proxy hitting new highs. The Company, therefore, became increasingly influential in the market. The **private banking business** improved the integrated and innovative service model, by issuing the Qizhen series of project-based wealth management products. As at the end of the reporting period, private banking products raised funds of RMB45.9 billion; the number of private banking customers approached 24,000; and the financial assets under management from private banking customers totaled nearly RMB470 billion.

4.1.2.3 Fortifying the leading edge in the financial market

The Company continued improving its services to core customers in the financial market business. The upgraded agency businesses/services enabled it to sharpen its market competitiveness in the upstream and downstream segments of the industry chain. Relying on innovative product strategies, it sought to obtain excess yields through differentiated services. With an ecosystem put in place, the Company provided customers in the real economy with high-value or value-added services. In the process, it managed to demonstrate its core competitiveness.

(1) Management of financial institution customers

The Company entered partnerships with over 3,000 target customers, which covered all of the 15 industries. Of which, strategic partners accounted for 68%. The "E Peer" interbank online platform got its service capabilities further enhanced, and many of its functions remained at the forefront of the industry, which included interest rate bond sales, SPDB Connect, and loan prime rate (LPR) swaps. The "Bund 12" interbank exchange platform kept improving. The launch of online live streaming activities managed to further enhance the customer experience. Consequently, the brand became increasingly influential.

(2) Operating characteristics of the financial factor market

The Company accumulatively obtained 67 business qualifications related to the financial factor market. **In the financial market**, it struck the first brokerage-traded interest rate swap option transaction across the entire market. At the same time, it pioneered the business where fund shares could be used to offset the minimum deposit for RMB interest rate swaps on behalf of customers. **In the bill market**, the Company participated in the depository and creation of the first standardized bills across the entire market, and took part in building a cross-border trade financing asset transfer platform. **In the futures market**, the Company actively supported Dalian Commodity Exchange (DCE) in business innovation, and secured many No. 1s in cooperation with the exchange, which included the first standard warehouse receipt transaction of DCE on the over-the-counter integrated service platform, the first bank to apply for a pilot project of DCE's Corporate Risk Management Program in 2020, and the first structured deposit issued to link with DCE's dominant futures contracts.

(3) Relative leading edges in the FICC business

Actively serving the real economy: The Company dealt with as the lead underwriter China's first "Climate Change Response"-themed green financial bonds China Development Bank (CDB) issued in multiple markets, and invested in the world's first carbon-neutral bonds; and made investment in the first small and micro enterprise-oriented financial bonds in the Guangdong-Hong Kong-Macao Greater Bay Area, the first special bonds for the mixed ownership system reform of central enterprises, and the first COVID-19 bond as an underwriter, among others. During the pandemic response, it made vigorous efforts to maintain market stability and support pandemic control enterprises in resuming production. What it had done won the "Award for Special Contribution to Market Stability during the Pandemic Response" from the Shanghai Gold Exchange. **Closely capturing opportunities that arose from market swings**: The Company accurately predicted and spotted opportunities presented by market swings, intensified strategy formulation and execution efforts, and posted rapid revenue growth in such fields as bonds and commodities. **Enhancing the core risk hedging capabilities**: The "SPDB Risk Hedging" brand got its core customer service capabilities improved significantly. Relying on superior products including SPDB Merchant Banking, SPDB Connect, and LPR swaps, it put in place a vertical digital operation regime that combined "digitalized customer acquisition and digitalized management" to serve more than 21,000 enterprises of various sorts engaged in the real economy. **Strengthening transaction risk management**: The Company carried out reverse extreme stress tests in response to the increased market volatility during the reporting period, in a bid to improve the rationality and safety of investment and transaction strategies. **Leading the market with pioneering innovation**: The Company promoted digital transformation and strengthened program trading; actively advocated the amortized cost fund investment as a means to balance the asset-liability portfolio; and participated in market innovation, launching a dozen of businesses ahead of other market players vigorously.

(4) Full asset management operating licenses and a wide range of products and channels

The Group owns the bank wealth management license (in preparation) as well as asset management licenses held by companies it mainly invests in, which include trust and PE licenses held by Shanghai Trust and its asset management subsidiary, fund and fund asset management licenses held by AXA SPDB Investment Managers, Tullett Prebon SITICO (China)

Limited, and its asset management subsidiary, overseas investment banking licenses (investment banking and brokerage) held by SPDB International and its brokerage subsidiary, and overseas asset management licenses held by the asset management subsidiary of SPDB International and the Hong Kong subsidiary of Shanghai Trust.

Types of new products: As at the end of the reporting period, the Company's cash management products maintained at a scale of RMB365 billion; bond investment products totaled more than RMB100 billion; and the "Yueyingli" hybrid regularly-opened bond products were reformed at an accelerated pace, with the scale of new products reaching RMB94 billion. The option-embedded hybrid products were developed in full swing, with the scale exceeding RMB67 billion. Issuance of key products: The cumulative scale of option-embedded products hit RMB67 billion; and pension products rose as hotspots, with brand influence continuing to increase. A total of 26 products were issued, with the scale of products in duration amounting to RMB14.7 billion. A total of 43 project investment products were issued for sales, with the total scale of products in duration exceeding RMB18.6 billion.

(5) Leading the asset custody market

As at the end of the reporting period, the assets under the custody of the Company totaled RMB13.80 trillion, a figure ranking No. 4 of the industry. The custody fee income amounted to RMB3,036 million during the reporting period. The scale of public funds under custody increased by 75% year on year, and the funds under IPO custody stood at RMB379.3 billion, which ranked second in the industry and accounted for 12% of the total IPO size across the industry. The insurance funds and pension funds under custody both increased by more than 50% year on year.

4.1.2.4 Enhancing the advantages of science and technology in empowerment and innovation

The Company accelerated the pace of digital transformation as a move to spot new opportunities and set new stages. Always putting customers in the first place and taking scenarios as the starting point, it vigorously enabled financial services to go "online, digital, intelligent, and ecosystem-based". To render customers and users with more convenient services, the Company rolled out a host of measures, which included expanding offline financial businesses online, building specialized direct selling terminals of financial products, and sharing ecosystem-based financial services.

(1) Digital transformation of customer operation

For retail customers, a virtual business hall was unveiled to realize the online closed-loop marketing of wealth management products. An intelligent marketing project was developed to match user needs with products accurately. The Tianju app was launched, with which users could apply for personal housing mortgage loans online throughout the entire process and post-loan services related to offline retail credit online.

For corporate customers, the Company developed online financing services and expanded online service channels. It opened up new customer service channels with the help of the Internet platforms. Specifically, three standardized products were developed, which were quick loan secured with housing, bank-taxation loan, and online discount. The Company's online banking channel was added with a function, allowing users to apply for renewing

loans without repayment of principal online. Big data, electronic signature, Internet, and other technologies were employed to boost the Company's ability to serve customers by online means.

For interbank customers, the Company optimized the "E Peer" interbank interactive marketing platform, by adding new online transaction varieties such as interest rate bond distribution as well as ecosystem and scenario-based functions like live streaming of online salons and interbank Q&A sessions. For professional investment customers, the "E Alliance" professional customer service platform took shape, which included foreign exchange derivatives, precious metal derivatives, and interest rate derivatives. An online custodian service platform was set up for custody customers.

(2) "Panoramic Bank" and "Financial Alliance"

The Company brought the open banking drive into a new stage of development: panoramic bank, where it had a vision of "facing all users, running through the entire time domain, providing full services, and realizing complete intelligent connection", redefined open banking from many dimensions of customer experience, empowerment & credit enhancement, and value co-creation, and provided guidance for the building of a company-wide digitalized customer management system and the innovation in industrial digital finance business.

The Company, along with nine financial institutions in Beijing, Zhejiang, Shanghai, and Anhui, among other places, co-initiated and established an open financial alliance, covering various forms of financial business such as banking, securities, and insurance. Dedicated to facilitating in-depth cooperation among members across many areas such as business sharing, technology empowerment, and ecosystem co-construction, the alliance would help financial institutions to complement each other's advantages and achieve win-win outcomes. As per regulatory instructions, it will make strides in the technical specifications, governance framework, and other aspects of the open banking industry. With its help, the Company will shift its focus from "high-quality development of single entities" to "overall coordinated development."

(3) Innovation laboratory

The Company officially inaugurated its innovation laboratory in February 2018. To date, an ecosystem in favor of joint innovation has taken shape. A total of 12 joint laboratories were founded with Huawei, Baidu, iFlytek, China Mobile, IBM, and other high-tech companies. At the same time, the Company built joint research (innovation) centers with Tsinghua University and Zhejiang University as well as a joint research center for financial cyberspace security with Harbin Institute of Technology, thus forming a new ecosystem conducive to joint scientific research and innovation.

(4) Technology empowerment

Intelligent customer service agent "Xiaopu": The Bank developed the "SPDB Brain" visual and acoustic center. With it, telephone banking could offer scenario-based intelligent services such as natural language-based product recommendation and business consultation as a means of man-machine interaction. Besides, capable of fast learning and iterative optimization, the center could guarantee the constant improvement for the quality of service and experience in the form of human-machine interaction. So far, the speech

recognition rate has exceeded 96% and the service rate gone beyond 85%, both of which have few equals in the industry.

Intelligent mobile app version 10.0: Spearheaded by the concept of "minimalist experience", the Company took a step further to build a panoramic bank and a comprehensive financial service platform integrating wealth management and life services. Centered on wealth management, mobile banking subversively reshaped its full-process service experience (before, during and after investment), and launched the AI-enabled interactive digital employee to serve as a "shopping guide" for wealth management products. As more living services became available online, a host of apps aimed to meet people's daily needs like shopping, traveling, medical insurance, and credit information inquiry were rolled out, along with an interactive information community, so as to provide users with services that could cover all kinds of scenarios.

Remote smart banking: To propel virtual banking towards remote and intelligent operation, and strengthen the innovative integration of AI and robotic process automation (RPA) technologies, the Company built an intelligent voice customer service system that could support intelligent incoming and outgoing calls, thus becoming the first bank to fully realize intelligent voice services across the industry. The AI recognition rate was up to 96%, and AI-enabled services accounted for more than 85%, both figures reaching an industry-leading level. Specifically, the system could make 200,000 outgoing calls per day, which was equivalent to the workload of nearly 800 persons. To date, it has been widely used in many scenarios including customer group marketing, product promotion, collection, call margin, and verification of large-amount transactions. The interaction completion rate reached 33%.

SPD Life Service app: Bearing customer needs in mind, the Company embedded financial and non-financial services into clothing, food, housing, transportation, and other scenarios, and launched the SPD Life Service app that provided a full range of services for consumers and empowered businesses. In the face of the abrupt pandemic spread, the app promptly unveiled the mask reservation, body temperature registration, online diagnosis service, and other functions that were urgently needed in the fight against the pandemic. With this move, it helped small and medium-sized enterprises, community service personnel, and individual customers solve their problems, benefiting over 4,800 enterprises resuming operation in more than 150 cities across the country and earning 3.83 million customer visits in total. As at the end of the reporting period, the app had 11 million registered users.

Tianju app: In forming a non-banking ecosystem, the Company rolled out the home scenario-based Tianju app, an online service platform that could integrate a host of functions such house hunting and viewing, mortgage loan application, and special offers. It was aimed to furnish home buyers with closed-loop services throughout the entire process. Since its official promotion, the app dealt with nearly 66,500 pre-applications for mortgage loans.

Intelligent marketing platform: As at the end of 2020, the Company carried out marketing campaigns targeted at a total of 7.58 million agency payroll service customers that were distributed among 21 branches. During the reporting period, the intelligent marketing platform saw its annual average daily net assets increasing by RMB2,365 billion. The wealth management customers, acquired by the platform, brought new assets worth more than RMB30 billion on a monthly average daily basis.

Digital human: The Company launched the first AI-enabled fund trainer in the industry. So far, it has delivered training to more than 18,000 persons. Besides, it also rolled out the personified digital service panel called "Xiaopu Wenwen" to help outlets upgrade their services and marketing activities towards digital and intelligent operation. The mobile banking app was added the "digital human" conversational shopping guide services. Compared with the traditional static web-pages, the new function managed to more than double the recommendation conversion rate. The launch of the H5-version "digital human" identity authentication service could help verify the identities of new customers acquired through the Internet platforms. In addition, the AI-enabled news broadcasting service became available.

Intelligent risk control: The function was applied in a wide range of fields including credit risk, anti-fraud, and anti-money laundering (AML). Data available inside and outside the Company were pooled together to establish a model for identifying corporate group relationships at an accuracy rate of over 72% and for identifying and forewarning customer risks at an accuracy rate of 70%. In terms of retail credit risk control, the "Fabei" independent risk control model strategy was fully applied for open customer groups in diverse scenarios such as installment service over mobile banking and "Fabai payment". The enterprise-level transaction anti-fraud model system was expanded to block fraudulent transactions and recover losses worth more than RMB37 million.

Intelligent outgoing calls: A total of 25.77 million outgoing calls were made by the Company to serve customers in 2020, a figure five times the workload of human agents over the same period. The call completion rate remained above 66%, and the interaction completion rate stayed above 34%, two figures basically on par with the staff service.

(5) IT input

	2020
IT input (In RMB millions)	**5,715.09**
The number of persons engaged in technological development at the parent company	**5,859**

4.2 Analysis of Income Statement

During the reporting period, the Group's operating income hit RMB196,384 million, up RMB5,696 million or 2.99% year on year, and the net profits attributable to the parent company's shareholders posted RMB58,325 million, a decrease of 0.99% year on year.

In RMB millions

Item	The reporting period	Same period of last year	Change in amount
Operating income	196,384	190,688	5,696

–Net interest income	138,581	144,523	-5,942
–Net fee and commission income	33,946	24,774	9,172
–Other net income	23,857	21,391	2,466
Operating expenses	129,648	120,824	8,824
–Tax and surcharges	2,117	1,946	171
–General and administrative expenses	46,702	43,052	3,650
–Impairment losses on credit assets and impairment losses on other assets	79,553	74,707	4,846
–Other operating costs	1,276	1,119	157
Net non-operating income and expenses	-54	-47	-7
Total profit	66,682	69,817	-3,135
Income tax expense	7,689	10,311	-2,622
Net profit	58,993	59,506	-513
Net profit attributable to the parent company's shareholders	58,325	58,911	-586
Minority interest income	668	595	73

4.2.1 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	**2020 (%)**	2019 (%)	2018 (%)
Net interest income	70.57	75.79	72.06
Net fee and commission income	17.29	12.99	16.23
Other net income	12.14	11.22	11.71
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 item 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 RMB363,099 million, representing a year-on-year increase of RMB8,418 million or 2.37%.

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

In RMB millions

Item	**Amount**	Percentage in total business income (%)	Increase/decrease over the same period of previous year (%)
Loan interest income	215,987	59.48	0.19
Interest income on investment	62,405	17.19	-1.13
Fee and commission income	44,257	12.19	24.59
Interest income on due from and placements with banks and other financial institutions	10,722	2.95	-16.63
Interest income from balance with central bank	5,871	1.62	-5.28
Other income	23,857	6.57	11.53
Total	363,099	100.00	2.37

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

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	86,386	-2.25	36,274	-4.15
Yangtze River Delta Region	38,009	9.87	22,396	1.02
Pearl River	12,736	13.05	8,618	133.36

Delta and West Side of Taiwan Strait				
Bohai Rim	15,574	2.87	6,825	Negative in the same period of last year
Central China	15,573	9.82	2,617	-51.80
Western China	9,724	-11.11	-17,619	Negative in the same period of last year
North-eastern China	4,858	0.29	1,529	307.73
Overseas institutions and subsidiaries	13,524	19.13	6,096	12.31
Total	196,384	2.99	66,736	-4.48

Notes: Relevant data of the Head Office and Yangtze River Delta Region in 2019 were restated according to the business structure adjustment in 2020.

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 (Anhui was incorporated into the Yangtze River Delta during the reporting period, so retroactive adjustment was made to data of 2019);

(3) Pearl River Delta and West Side of Taiwan Strait: 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.

4.2.2 Net interest income

During the reporting period, the Group incurred a net interest income of RMB138,581 million.

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

	The reporting period			Same period of last year		
Interest-earning assets	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Loans and advances	4,239,783	215,987	5.09	3,767,467	215,588	5.72
Investments	1,690,594	62,405	3.69	1,557,832	63,120	4.05
Balance with central bank	416,564	5,871	1.41	419,818	6,198	1.48
Due from and placements with banks and other financial institutions	512,825	10,722	2.09	441,748	12,861	2.91
Total	6,859,766	294,985	4.30	6,186,865	297,767	4.81

In RMB millions

	The reporting period			Same period of last year		
Interest-bearing liabilities	**Average balance**	**Interest expense**	**Average cost ratio (%)**	Average balance	Interest expense	Average cost ratio (%)
Deposits from customers	3,933,776	82,713	2.10	3,543,080	75,315	2.13
Due to and placements from banks and other financial institutions	1,479,740	32,821	2.22	1,402,875	39,661	2.83
Debt securities issued	1,040,480	32,861	3.16	876,693	31,527	3.60

Due to central bank	248,003	8,009	3.23	202,653	6,741	3.33
Total	6,701,999	156,404	2.33	6,025,301	153,244	2.54

4.2.2.1 Interest income

During the reporting period, the Group generated the interest income of RMB294,985 million and interest income from retail loans of RMB113,497 million.

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	2,170,863	92,637	4.27	1,889,081	92,036	4.87
Retail loans	1,715,425	113,497	6.62	1,586,527	113,458	7.15
Discounted bills	353,495	9,853	2.79	291,859	10,094	3.46

Note: Of these, the average yield of general short-term loans and medium and long-term loans was 5.92% and 4.85%, respectively.

Interest income on investment

During the reporting period, the Group's interest income on investment stood at RMB62,405 million. The average yield on investment was 3.69%.

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 RMB10,722 million; and the average yield from such business at 2.09%.

4.2.2.2 Interest expense

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers stood at RMB82,713 million. The average cost ratio reported 2.10%.

The following table sets forth the average balance, interest expense and average cost ratio of corporate deposits and retail deposits at the Group in 2020 and 2019.

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	1,360,721	15,194	1.12	1,235,440	12,927	1.05
Time deposits	1,468,001	41,872	2.85	1,318,151	38,788	2.94
Retail customers						
Current deposits	253,887	828	0.33	223,123	704	0.32
Time deposits	628,723	22,082	3.51	552,973	20,346	3.68

Interest expense 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 RMB32,821 million, a decrease of 17.25% over the previous year, as a result of the dropping interest rate of interbank funds.

Interest expense on debt securities issued

During the reporting period, the Group recorded interest expenses of RMB32,861 million on debt securities issued, an increase of 4.23% over the previous year.

4.2.3 Net non-interest income

During the reporting period, the Group racked up the net non-interest income in RMB57,803 million, up 25.21% year on year, accounting for 29.43% of operating income, up 5.22 percentage points. Specifically, net fee and commission income rose by 37.02% to RMB33,946 million, and other non-interest income went up by 11.53% to RMB23,857 million.

In RMB millions

	The reporting period		Same period of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Net fee and commission income	33,946	58.73	24,774	53.66
Incl.: Fee and commission income	44,257	76.57	35,523	76.95
Fee and commission expenses	-10,311	-17.84	-10,749	-23.29
Profit or loss on investments	18,980	32.84	13,571	29.40
Profit or loss on changes in fair value	2,220	3.84	3,765	8.16
Exchange profit or loss	-215	-0.37	312	0.68
Other business income	2,160	3.74	1,788	3.87
Profit or loss on asset disposal	-8	-0.01	1,470	3.18
Other income	720	1.23	485	1.05
Total	57,803	100.00	46,165	100.00

4.2.3.1 Fee and commission income

During the reporting period, the Group's fee and commission income continued to go up. Such income hit RMB44,257 million, an increase of RMB8,734 million or 24.59% year on year.

In RMB millions

	The reporting period		Same period of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Fees from custodian business and other	15,415	34.83	11,556	32.53

fiduciary activities				
Fees from bank card business	14,528	32.83	12,742	35.87
Fees from investment banking activities	4,457	10.07	3,631	10.22
Credit commitment fees	2,223	5.02	2,154	6.06
Agency commission	5,078	11.47	2,723	7.67
Settlement and clearing fees	883	2.00	975	2.74
Others	1,673	3.78	1,742	4.91
Total	44,257	100.00	35,523	100.00

4.2.3.2 Profit or loss on investments

During the reporting period, the Group reaped investment profitsof RMB18,980 million, a year-on-year increase of 39.86%.

In RMB millions

	The reporting period		Same period of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Held-for-trading financial assets	15,320	80.72	11,341	83.58
Net profit from bill trading spread	1,623	8.55	2,022	14.90
Creditor's rights investments	433	2.28	-309	-2.28
Other creditor's rights investments	1,118	5.89	-144	-1.06
Other equity instrument investments	45	0.24	44	0.32
Precious metals	1,640	8.63	349	2.57
Derivatives	-1,686	-8.88	-168	-1.24

Investments on long-term equity as calculated by equity method	146	0.77	171	1.26
Other	341	1.80	265	1.95
Total	18,980	100.00	13,571	100.00

4.2.3.3 Profit or loss on changes in fair value

In RMB millions

	The reporting period		Same period of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Derivatives	4,697	211.58	-1,366	-36.28
Hedged bonds	267	12.03	296	7.86
Loans measured at fair value through profit or loss	101	4.55	-54	-1.43
Held-for-trading financial instruments	-545	-24.55	1,843	48.95
Precious metals	-2,485	-111.94	3,122	82.92
Others	185	8.33	-76	-2.02
Total	2,220	100.00	3,765	100.00

4.2.4 General and administrative expenses

During the reporting period, the Group's general and administrative expenses were RMB46,702 million, representing a year-on-year increase of 8.48%. Cost-to-income ratio was 23.78%, representing a year-on-year increase of 1.20 percentage points.

In RMB millions

	The reporting period		Same period of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Employee expenses	27,509	58.90	27,015	62.76

Rental expenses	3,372	7.22	3,140	7.29
Depreciation and amortization expenses	3,212	6.88	2,869	6.66
Others	12,609	27.00	10,028	23.29
Total	46,702	100.00	43,052	100.00

4.2.5 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 classification management, and worked hard to consolidate the foundation of asset quality. Its impairment losses on loans and advances totaled RMB75,022 million, up 7.26% over 2019.

In RMB millions

	The reporting period		Same period of last year	
Item of impairment losses	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Loans and advances to customers	75,022	94.30	69,947	93.63
Other assets	4,531	5.70	4,760	6.37
Total	79,553	100.00	74,707	100.00

4.2.6 Income tax expense

During the reporting period, the Group incurred an income tax of RMB7,689 million, a decrease of RMB2,622 million or 25.43% over the previous year.

In RMB millions

Item	**The reporting period**	Same period of last year
Profit before income tax	66,682	69,817
Income tax calculated at China's statutory tax rate	16,671	17,454
Effect of different tax rates applied by subsidiaries	-126	-46
Effect of expenses that are not deductible	497	289

Effect arising from income not subject to tax	-9,486	-7,716
Adjustments on income tax for prior years	133	330
Income tax expense	7,689	10,311

4.3 Analysis of the Balance Sheet

4.3.1 Analysis of assets

As at the end of the reporting period, the total assets of the Group reached RMB7,950,218 million, representing an increase of RMB944,289 million or 13.48%, as compared with the end of previous year.

In RMB millions

	End of the reporting period		End of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total loans	4,533,973	57.03	4,025,901	57.46
Interest accrued on loans	15,576	0.20	15,028	0.21
Less: Allowance for impairment losses on loans at amortized cost	-119,321	-1.50	-110,179	-1.57
Financial investments	2,302,547	28.96	2,083,547	29.74
Long-term equity investment	2,401	0.03	2,049	0.03
Derivative financial assets	63,589	0.80	38,719	0.55
Cash and deposits with central bank	489,088	6.15	477,853	6.82
Due from and placements with banks and other financial institutions	422,453	5.31	279,235	3.99

Goodwill	6,981	0.09	6,981	0.10
Others	232,931	2.93	186,795	2.67
Total	7,950,218	100.00	7,005,929	100.00

4.3.1.1 Loans to customers

As at the end of the reporting period, the Group's total loans and advances to customers were RMB4,533,973 million, an increase of 12.62% from the end of last year. The ratio of total loans and advances to total assets was 57.05%, representing a decrease of 0.43 percentage point as compared with the end of previous year.

4.3.1.2 Financial investments

In RMB millions

	End of the reporting period		End of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Held-for-trading financial assets	549,149	23.85	505,318	24.25
Creditor's rights investments	1,169,777	50.80	1,074,927	51.59
Other creditor's rights investments	577,786	25.10	497,508	23.88
Other equity instrument investments	5,835	0.25	5,794	0.28
Total	2,302,547	100.00	2,083,547	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	70,505	12.83	67,719	13.40
Trust and asset management plans	20,294	3.70	65,313	12.93

Fund investments	428,552	78.04	360,856	71.41
Securities income certificate	18,651	3.40	-	-
Equity investments	5,104	0.93	4,306	0.85
Other investments	6,043	1.10	7,124	1.41
Total	549,149	100.00	505,318	100.00

Creditor's rights investments

In RMB millions

	End of the reporting period		End of last year	
Item	**Balance**	**Percentage (%)**	Balance	Percentage (%)
Bonds	784,693	67.08	687,240	63.93
Trust and asset management plans	372,860	31.87	378,429	35.21
Other creditor's rights instruments	8,130	0.70	2,155	0.20
Accrued interest	16,041	1.37	15,818	1.47
Allowance for impairment losses	-11,947	-1.02	-8,715	-0.81
Total	1,169,777	100.00	1,074,927	100.00

Other creditor's rights investments

In RMB millions

	End of the reporting period		End of last year	
Item	**Balance**	**Percentage (%)**	Balance	Percentage (%)
Bonds	524,964	90.86	487,435	97.97
Asset management plans	45,011	7.79	2,825	0.57
Accrued interest	7,811	1.35	7,248	1.46

Total	577,786	100.00	497,508	100.00

Other equity instrument investments

In RMB millions

	End of the reporting period		End of last year	
Item	**Balance**	**Percentage (%)**	Balance	Percentage (%)
Equity	5,018	86.00	4,983	86.00
Other equity investments	817	14.00	811	14.00
Total	5,835	100.00	5,794	100.00

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

In RMB millions

	End of the reporting period		End of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Ministry of Finance, local governments and central bank	800,482	58.00	679,616	54.70
Policy banks	312,774	22.66	334,693	26.94
Commercial banks and other financial institutions	122,552	8.88	112,419	9.05
Others	144,354	10.46	115,666	9.31
Total bond investments	1,380,162	100.00	1,242,394	100.00

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

In RMB millions

The Group	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses set aside
Policy bank bonds 2018	15,400	4.98	12 January 2025	1.90

Policy bank bonds 2018	10,430	4.73	2 April 2025	1.35
Policy bank bonds 2017	10,200	4.44	9 November 2022	1.32
Policy bank bonds 2018	9,465	4.04	6 July 2028	0.63
Policy bank bonds 2017	8,430	4.30	21 August 2024	1.09
Policy bank bonds 2019	8,120	3.63	19 July 2026	0.46
Policy bank bonds 2020	8,010	3.43	14 January 2027	1.03
Policy bank bonds 2018	7,000	4.15	26 October 2025	0.90
Policy bank bonds 2019	6,690	3.74	12 July 2029	0.86
Policy bank bonds 2019	6,675	3.42	2 July 2024	0.46

4.3.1.3 Long-term equity investment

As at the end of the reporting period, the balance of long-term equity investment at the Group recorded RMB2,401 million, up 17.18% from the end of last year. Specifically, the investment balance in joint ventures stood at RMB2,127million, up 15.54% 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.

4.3.1.4 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
Exchange rate derivatives	1,973,523	39,470	39,109	2,571,504	19,833	19,822
Interest rate derivatives	5,399,464	18,260	18,103	5,568,643	13,246	13,434
Precious metal derivatives	210,325	5,122	3,632	182,064	5,432	8,110
Others	14,717	737	302	9,903	208	137
Total		63,589	61,146		38,719	41,503

Derivatives designated as hedging instruments:						
Fair value hedges						
–Interest rate swap contracts	24,283	56	527	20,096	21	399
–Currency swap contracts	693	-	5	627	8	5
Cash flow hedges						
–Interest rate swap contracts	663	-	9	193	-	2
–Currency swap contracts	389	-	47	3,467	59	12
Total		56	588		88	418

4.3.1.5 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. In the test, the Group compared the book value and the recoverable amount of related assets or asset portfolios (including goodwill). If the recoverable amount is lower than the book value, the gap between them shall be booked into profit or loss during the reporting period. The recoverable amount of assets and asset portfolios is calculated through the cash-flow forecast method based on the five-year budget approved by the Senior Management. The cash flow for a longer-than-five-year span shall be calculated with the estimated growth rate. The corresponding asset portfolios encompassed Shanghai International Trust Co., Ltd., China International Fund Management Co., Ltd., Tullett Prebon SITICO (China) Limited, and Shangxin Asset Management Co., Ltd. The impairment test findings suggested that no allowance for impairment losses needed to be set aside during the reporting period. By the end of reporting period, the book value of goodwill at the Group stood at RMB6,981 million.

4.3.2 Analysis of liabilities

As at the end of the reporting period, the total liabilities of the Group reached RMB7,304,401 million, representing an increase of RMB859,523 million or 13.34%, as compared with the end of previous year.

In RMB millions

	End of the reporting period		End of last year	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total deposits	4,076,484	55.81	3,627,853	56.29
Interest payable on deposits	45,923	0.63	33,989	0.53
Due to and placements from banks and other financial institutions	1,597,918	21.88	1,390,952	21.59
Debt securities issued	1,140,653	15.62	1,003,502	15.57
Due to central bank	274,346	3.76	233,423	3.62
Held-for-trading financial liabilities	16,057	0.22	23,295	0.36
Derivative financial liabilities	61,146	0.84	41,503	0.64
Others	91,874	1.24	90,361	1.40
Total liabilities	**7,304,401**	**100.00**	6,444,878	100.00

4.3.2.1 Composition of total deposits

As at the end of the reporting period, the total deposits of the Group reached RMB4,076,484 million, representing an increase of RMB448,631 million or 12.37%, as compared with the end of previous year.

In RMB millions

	End of the reporting period		End of last year	
Item	**Balance**	**Percentage (%)**	Balance	Percentage (%)
Current deposits	**1,910,460**	**46.86**	1,551,360	42.76
Incl.: Corporate deposits	**1,606,179**	**39.40**	1,312,073	36.16

Retail deposits	**304,281**	**7.46**	239,287	6.60
Time deposits	**2,163,363**	**53.07**	2,074,055	57.17
Incl.: Corporate deposits	**1,508,210**	**37.00**	1,477,382	40.72
Retail deposits	**655,153**	**16.07**	596,673	16.45
Other deposits	**2,661**	**0.07**	2,438	0.07
Total	**4,076,484**	**100.00**	3,627,853	100.00

4.3.3 Analysis of changes in shareholders' equity

As at the end of the reporting period, shareholders' equity of the Group was RMB645,817 million, up 15.11% from the end of last year. The equity attributable to the parent company's shareholders recorded RMB638,197 million, an increase of 15.23% over the end of last year; and the retained earnings totaled RMB188,038 million, up 10.14% 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	62,698	81,760	125,805	76,249	7,267	170,730	553,861
Increase	-	49,993	1	16,934	3,391	-	58,325	128,644
Decrease	-	-	-	-	-	3,291	41,017	44,308
Closing balance	29,352	112,691	81,761	142,739	79,640	3,976	188,038	638,197

In RMB millions

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

Share capital	29,352	29,352	-
Other equity instruments	112,691	62,698	79.74
Capital reserve	81,761	81,760	-
Other comprehensive income	3,976	7,267	-45.29
Surplus reserve	142,739	125,805	13.46
General risk reserve	79,640	76,249	4.45
Retained earnings	188,038	170,730	10.14
Total equity attributable to the parent company's shareholders	638,197	553,861	15.23
Minority shareholders' equity	7,620	7,190	5.98
Total equity	645,817	561,051	15.11

4.4 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
Deposits with banks and other financial institutions	151,796	103,755	46.30	The deposits with domestic banks scaled up
Placements with banks and other financial institutions	234,131	172,607	35.64	The placements with domestic non-bank financial institutions scaled up
Precious metals	44,969	30,870	45.67	The self-operated and agency precious metals held scaled up
Derivative financial assets	63,589	38,719	64.23	Change to the valuation of fair value

Financial assets purchased under resale agreements	36,526	2,873	1,171.35	Bonds purchased under resale agreements scaled up
Other assets	92,918	69,653	33.40	Funds to be cleared scaled up
Held-for-trading financial liabilities	16,057	23,295	-31.07	Oversold precious metals scaled down
Derivative financial liabilities	61,146	41,503	47.33	Change to the valuation of fair value
Other equity instruments	112,691	62,698	79.74	New perpetual bonds were issued
Other comprehensive income	3,976	7,267	-45.29	Change to the valuation of other creditor's rights investments

Item	**Jan.-Dec. 2020**	Jan.-Dec. 2019	Change (%)	Main reason for the change during the reporting period
Net fee and commission income	33,946	24,774	37.02	Fee and commission income from custody and other fiduciary business increased
Profit or loss on investments	18,980	13,571	39.86	Investment income from held-for-trading financial assets and other creditor's rights investments increased
Profit or loss on changes in fair value	2,220	3,765	-41.04	The valuation of precious metals and derivatives changed
Exchange profit or loss	-215	312	-168.91	Exchange rate fluctuated and exchange gains dropped
Profit or loss on asset disposal	-8	1,470	-100.54	Profit from disposal of Dongyin Mansion realized in the same period of last year
Other income	720	485	48.45	Increase of policy subsidies

Impairment losses on other assets	-6	1	-700.00	Decrease in impairment losses on repossessed assets
Other comprehensive income after tax, net	-3,307	2,609	-226.75	Changes in valuation of other creditor's rights investments
Net cash flows generating from operating activities	126,385	-68,628	N/A	Customer deposits and deposits from banks and other financial institutions increased
Net cash flows generated from investing activities	-141,677	-66,973	N/A	Cash paid for investments increased

4.5 Analysis of Loan Quality

4.5.1 Five-tier loan classification

In RMB millions

Five-tier risk classification	**End of the reporting period**	Percentage (%)	Increase/decrease over the same period of the previous year (%)
Pass	4,338,449	95.69	12.99
Special mention	117,063	2.58	12.29
Substandard	33,191	0.73	-17.27
Doubtful	27,480	0.61	23.78
Loss	17,790	0.39	-9.05
Total	4,533,973	100.00	12.62

In RMB millions

Category	**End of the reporting period**	Percentage (%)	Increase/decrease over the same period of the previous year (%)

Restructured loans	2,778	0.06	-41.70
Overdue loans	96,894	2.14	10.27

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.

4.5.2 Loan structure and loan quality by product types

As at the end of the reporting period, the proportion of corporate loans was 50.86%, an increase of 2.79 percentage points from the end of previous year; the proportion of personal loans was 39.53%, a decrease of 2.09 percentage points as compared with the end of previous year; and the proportion of discounted bills was 9.61%, a decrease of 0.70 percentage point as compared with the end of the previous year.

In RMB millions

	End of the reporting period			End of last year		
Product type	**Loan balance**	**NPLs**	**NPL ratio (%)**	Loan balance	NPLs	NPL ratio (%)
Corporate loans	2,305,787	53,796	2.33	1,935,401	59,528	3.08
General corporate loans	2,248,168	53,596	2.38	1,901,643	59,427	3.13
Trade finance	57,619	200	0.35	33,758	101	0.30
Discounted bills	435,908	437	0.10	415,124	288	0.07
Retail loans	1,792,278	24,228	1.35	1,675,376	22,065	1.32
Personal housing loans	849,193	2,865	0.34	730,260	1,978	0.27
Personal business loans	325,782	4,910	1.51	274,606	3,906	1.42
Credit card and overdraft	372,117	9,375	2.52	421,535	9,715	2.30
Others	245,186	7,078	2.89	248,975	6,466	2.60

Total	4,533,973	78,461	1.73	4,025,901	81,881	2.03

4.5.3 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	2,305,787	50.86	2.33	1,935,401	48.07	3.08
Manufacturing	392,385	8.65	4.13	337,916	8.39	5.85
Lease and commerce services	361,907	7.98	0.98	264,524	6.57	0.82
Real estate	346,486	7.64	2.07	334,229	8.30	2.63
Wholesale and retail	207,798	4.58	4.85	149,206	3.71	7.42
Water, environment and public utilities management	173,871	3.84	0.17	165,868	4.12	0.36
Construction	160,798	3.55	1.62	140,212	3.48	1.92
Transportation, warehouse and postal services	157,478	3.47	1.22	141,309	3.51	0.58
Production and supply of electricity, heating, gas and water	116,544	2.57	0.88	82,656	2.05	1.36
Financial services	104,093	2.30	0.22	82,782	2.06	-
Mining	95,167	2.10	7.26	81,945	2.04	6.35
Information transmission, software and IT services	58,820	1.30	2.07	39,432	0.98	2.33
Scientific research and technology services	30,262	0.67	3.94	24,016	0.60	1.51

Culture, sports and entertainment	20,221	0.45	1.18	18,843	0.47	0.65
Agriculture, forestry, farming and fishery	20,172	0.44	4.70	27,785	0.69	16.25
Healthcare and social welfare	19,417	0.43	0.01	17,512	0.43	-
Education	15,480	0.34	0.01	11,984	0.30	-
Accommodation and catering	8,285	0.18	1.45	7,294	0.17	14.80
Resident services, repairs and other services	2,357	0.05	3.90	3,497	0.09	2.26
Public administration, social security and social organizations	2,223	0.05	-	1,102	0.03	0.00
Others	12,023	0.27	0.06	3,289	0.08	6.17
Discounted bills	**435,908**	**9.61**	0.10	415,124	10.31	0.07
Personal loans	**1,792,278**	**39.53**	1.35	1,675,376	41.62	1.32
Total	**4,533,973**	**100.00**	1.73	4,025,901	100.00	2.03

4.5.4 Loan structure by geography

In RMB millions

	End of the reporting period		End of last year	
Region	**Book balance**	**Percentage (%)**	Book balance	Percentage (%)
Head Office	631,123	13.91	647,562	16.08
Yangtze River Delta Region	1,382,670	30.50	1,157,149	28.74
Pearl River Delta and West Side of Taiwan Strait	499,060	11.01	405,925	10.08
Bohai Rim	573,928	12.66	489,848	12.17

Central China	533,569	11.77	465,701	11.57
Western China	557,301	12.29	509,496	12.66
North-eastern China	186,739	4.12	193,224	4.80
Overseas institutions and subsidiaries	169,583	3.74	156,996	3.90
Total	4,533,973	100.00	4,025,901	100.00

4.5.5 Loan structure by collateral types

In RMB millions

	End of the reporting period		End of last year	
Item	**Book balance**	**Percentage (%)**	Book balance	Percentage (%)
Unsecured loans	1,818,279	40.11	1,636,355	40.65
Guaranteed loans	776,427	17.12	731,908	18.18
Loans secured by mortgages	1,668,955	36.81	1,425,283	35.40
Pledged loans	270,312	5.96	232,355	5.77
Total	4,533,973	100.00	4,025,901	100.00

4.5.6 Loan migration

	2020		2019		2018	
Item (%)	**Year-end**	**Average**	Year-end	Average	Year-end	Average
Pass loan migration rate	2.90	2.98	3.05	3.10	3.14	3.59
Special-mention loan migration ratio	26.40	33.40	40.40	36.92	33.44	36.74
Substandard loan migration ratio	35.32	43.36	51.39	66.22	81.04	83.92

Doubtful loan migration ratio	10.70	24.82	38.94	48.33	57.72	48.10

4.5.7 Loans of top ten customers

In RMB millions

Customer name	**31 December 2020**	Percentage (%)
Customer A	10,000	0.22
Customer B	8,086	0.18
Customer C	6,998	0.15
Customer D	6,512	0.14
Customer E	6,500	0.14
Customer F	5,470	0.12
Customer G	5,376	0.12
Customer H	5,367	0.12
Customer I	5,166	0.11
Customer J	5,099	0.11
Total	64,574	1.42

4.5.8 Management of LGFV loans

The Bank constantly improved and enhanced 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 requirements of the CBIRC and its own operation and management needs.

First, in strict accordance with the pertinent state polices and regulatory requirements, the Bank implemented classification management of local government debt financing based on the LGFV list.

Second, the Bank forestalled and defused the risks arising from hidden debts of local governments. It put the existing businesses under classified guidance for proper disposal, guarded against new hidden local government debts against rules.

Third, the Bank continued to support financing needs of projects related to people's livelihood, supported follow-up financing of projects under construction, rolled out PPP financing projects and market-based public welfare programs as per related provisions, and participated in the undertaking and investment of quality local government bonds.

Fourth, the Bank strengthened business monitoring and post-lending management, monitored the debt attribute, business scale and concentration of local government debt business, and implement targeted management.

Fifth, 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 debt replacement, which guaranteed its own interests and rights.

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

4.5.9 Year-end NPLs and corresponding measures taken

The balance of substandard, doubtful and loss loans of the Group was RMB78,461 million, a decrease of RMB3,420 million over the end of last year; and the NPL ratio was 1.73%, down 0.30 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 adjustment to customers, and accelerated the optimization of the industry structure of credit assets.

Second, it made continuous efforts in industry limit management, implemented mandatory industry limit management on industries with loan granting controlled or reduced, and improved the allocation of asset structure and customer structure through aggregate control and supporting some industries while controlling others.

Third, it intensified efforts in asset quality while reducing NPLs. As at the end of 2020, the proportion of corporate loans overdue for over 60 days and those for 90 days to NPLs were controlled at below 100%.

Fourth, it stepped up efforts to reduce and dispose of NPLs. The Bank effectively overcame the adverse impact of COVID-19, took diversified measures to strengthen cash collection, and strengthened collection and disposal of NPLs in key branches, key fields and key projects, thus effectively improving the effectiveness of NPL disposal.

Fifth, it intensified the risk forewarning management and continued to streamline its structure with solid efforts. The Bank continued to optimize the forewarning mechanism for corporate banking, retail credit, financial market, wealth management/investment and all other business lines, discussed to establish a risk forewarning mechanism among peers, and issued early warnings in a more timely and effective way. At the same time, it pushed forward cash withdrawal, put in place beforehand the management of credit funds and interest to be matured, so as to defuse the potential risk arising from the customers who triggered early warnings, reduce the expected losses, and revitalize the existing assets.

Sixth, it stepped up risk inspection of various businesses from conventional credit business to new-typed business with a widened coverage, monitored business risks based on the penetration principle and tried to solidify the asset quality.

Seventh, it continued to improve the special mechanisms and systems for assets resolution. The Bank actively pushed forward the operation transformation of non-performing assets (NPA), explored the use of online resolution and risk control means, and vigorously overcame the impact of the pandemic. Through these efforts, both the total amount of NPAs disposal and the effect of cash recovery hit record highs. Besides, the Bank capitalized on the guiding role of NPA disposal policies and tools, and intensified the due diligence and recourse of NPAs, strengthened the research and training of subjects on risk mitigation and legal affairs, and thereby continuously consolidated the management foundation and team capacity. It also actively expanded the channels for market-oriented and online merchant attraction, promotion and disposal of NPAs, so as to boost the efficiency of NPA disposal.

Eighth, it built an enterprise-level digital risk control system to make comprehensive risk management more professional and digitalized.

4.5.10 Credit extension to group customers

For group customers, the Bank upheld the principles of "unified credit extension, moderate credit limit and differentiated administration", and continued to strengthen the risk management of group customers. It comprehensively assessed the customers' risks and ability to undertake risks, worked out the overall credit line to group customers reasonably, improved the structure of group customers, prevented the concentration risk, and refined the classification management model for group customers with balance between risk and efficiency. The Bank comprehensively enhanced the risk forewarning capability of group customers, strengthened risk investigation of key businesses, and consolidated the quality and efficiency of group credit extension. It ensured general stability of credit extension to group customers, made sure risks were controllable, and satisfied the regulator's requirements 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.

4.5.11 Provisions for loan impairment

In RMB millions

The Group	**The reporting period**	Same period of last year
Opening balance	110,491	106,465
Provision in the year	75,022	69,947
Write-off and disposal in the year	-70,044	-68,004
Recovery of loans and advances written off in previous years	5,648	3,539
Other changes	-1,250	-1,456
Closing balance	119,867	110,491

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.

4.6 Analysis of Other Regulatory Indicators Applicable for Commercial Banks

4.6.1 Capital structure

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

In RMB millions

	End of the reporting period		End of last year	
Item	**The Group**	**The Bank**	The Group	The Bank
Total capital	810,544	790,165	666,724	651,429
Incl.: Core tier-one capital	530,953	513,851	496,289	483,001
Additional tier-one capital	110,385	109,910	60,295	59,916
Tier-two capital	169,206	166,404	110,140	108,512
Capital deduction items	11,685	29,551	11,029	27,008
Incl.: Core tier-one capital deduction items	11,685	29,551	11,029	27,008
Additional tier-one capital deduction items	-	-	-	-
Tier-two capital deduction items	-	-	-	-
Net capital	798,859	760,614	655,695	624,421
Minimum capital requirement (%)	8.00	8.00	8.00	8.00
Requirement for capital reserve and counter-cyclical capital (%)	2.50	2.50	2.50	2.50

Additional capital requirement	-	-	-	-
Risk-weighted assets	5,458,504	5,300,293	4,731,354	4,598,796
Incl.: Credit risk-weighted assets	5,049,472	4,916,607	4,334,610	4,233,697
Market risk-weighted assets	60,419	53,425	60,490	50,184
Operational risk-weighted assets	348,613	330,261	336,254	314,915
Core tier-one capital adequacy (%)	9.51	9.14	10.26	9.92
Tier-one capital adequacy (%)	11.54	11.21	11.53	11.22
Capital adequacy ratio (%)	14.64	14.35	13.86	13.58

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 the 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 RMB7.72 billion as at the end of the reporting period.

4.6.2 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 6.69%, up 0.13 percentage point over the end of last year; and that of the Group was 6.97%, up 0.14 percentage point over the end of last year.

In RMB millions

	End of the reporting period		End of last year	
Item	**The Group**	**The Bank**	The Group	The Bank
Net tier-one capital	**629,653**	594,210	545,555	515,909
Balance of on-and-off-balance sheet assets after adjustment	**9,034,899**	8,879,389	7,983,704	7,858,498
Leverage ratio (%)	**6.97**	6.69	6.83	6.56

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).

4.6.3 Liquidity coverage ratio

In RMB millions

The Group	**End of the reporting period**
Quality current assets	1,035,652.73
Net cash outflow	783,077.67
Liquidity coverage ratio	132.25

4.6.4 Net stable funding ratio

In RMB millions

The Group	**31 December 2020**	30 September 2020	30 June 2020	30 March 2020
Net stable funding ratio (%)	**105.01**	101.88	103.82	101.42
Stable funds available	**4,218,134.18**	3,943,438.36	3,995,149.18	3,775,228.50
Stable funds needed	**4,017,048.46**	3,870,826.64	3,847,997.59	3,722,525.61

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

Item (%)	Regulatory standards as at the end of reporting period	Actual value		
		31 December 2020	31 December 2019	31 December 2018

Capital adequacy ratio (%)		≥10.5	14.35	13.58	13.37
Tier-one capital adequacy ratio (%)		≥8.5	11.21	11.22	10.45
Core tier-one capital adequacy ratio (%)		≥7.5	9.14	9.92	9.73
Asset liquidity ratio (%)	RMB	⩾25	46.00	52.18	56.05
	RMB and foreign currency	⩾25	45.95	51.61	55.43
Proportion of loans to the single biggest customer to net capital (%)		≤10	1.31	1.48	1.75
Proportion of loans to the top ten customers to net capital (%)		≤50	8.49	8.60	10.18
Allowance to NPLs		≥130	150.74	133.85	156.38
Allowance to total loans ratio		≥1.8	2.59	2.70	2.94

Notes:

(1) In the table, the capital adequacy ratio, 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.

4.7 Business Overview of the Bank

4.7.1 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.

4.7.2 Development of the banking industry

In 2020, the banking sector strived to overcome the impact of the COVID-19 pandemic, steadily responded to various risks and challenges, and continued to maintain sound operation. As at the end of December 2020, the financial institutions across the Chinese banking industry posted total assets of RMB319.7 trillion, representing a year-on-year increase of 10.1%, and total liabilities of RMB293.1 trillion, up 10.2% year on year. In the year, RMB loans increased by RMB19.6 trillion, which was RMB2.8 trillion more than the increment in the previous year. The loans granted to private enterprises and manufacturing grew by RMB5.7 trillion and RMB2.2 trillion, respectively, and the outstanding small and micro enterprise loans in the category of inclusive finance, loans to scientific research and technology services, and loans to information technology services grew by 30.9%, 20.1% and 14.9% year on year, respectively.

In the year, the banking industry stepped up efforts to prevent and control various risks, with major operation and risk indicators staying within a reasonable range. In 2020, the banking sector disposed of RMB3.02 trillion of non-performing assets. As at the end of 2020, the NPL balance stood at RMB3.5 trillion, representing an increase of RMB281.6 billion over the beginning of the year; NPL ratio was 1.92%, a decrease of 0.06 percentage point over the beginning of the year; and the ratio of loans overdue for more than 90 days to NPLs was 76%, down 5.1 percentage points over the beginning of the year. In 2020, commercial banks replenished capital by RMB1.34 trillion through issuing preference shares, perpetual bonds and tier-2 capital bonds, and set aside RMB1.9 trillion of new allowances, an increase of RMB113.9 billion year on year. At the end of 2020, allowance to NPLs was 182.3% and allowance to total loans ratio was 3.5%, both of which remained at a high level.

4.7.3 Performance of main business lines of the Bank

4.7.3.1 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 in RMB61,894 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 1,679,900, an increase of 130,100 over the end of last year.

Strategic customer operation

Strategic customers of the Head Office: As at the end of the reporting period, the outstanding corporate loans of these customers denominated in RMB amounted to RMB497.4 billion; and the outstanding corporate deposits denominated in RMB stood at RMB700.1 billion. The daily average low-cost deposits were RMB414.3 billion.

Strategic customers of branches: As at the end of the reporting period, the daily average corporate deposits of these customers denominated in RMB amounted to RMB312.8 billion, of which the daily average low-cost deposits were RMB236.4 billion. The outstanding corporate loans denominated in RMB totaled RMB297 billion, of which the outstanding mid-to-long-term loans stood at RMB189.7 billion.

Corporate deposits and loans

The Bank further optimized the credit customer structure through vigorously supporting traditional competitive industries, upgraded 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 of the Company posted RMB3,103,795 million, representing an increase of RMB322,769 million or 11.61% over the end of the previous year; and its corporate loans (including discounted bills) hit RMB2,662,061 million, representing an increase of RMB374,067 million or 16.35% over the end of the previous year.

Investment banking

During the reporting period, the Bank underwrote 1,534 bonds worth RMB737.5 billion as a lead underwriter, of which debt financing instruments amounted to RMB544.5 million. To be specific, there were 47 financial debts worth RMB44,529 million, and 162 overseas bonds worth RMB36,703 million. To support the national pandemic control efforts, the Company finished 45 deals of anti-pandemic bonds worth RMB20,695 million, of which 2020 Huafa (Anti-COVID-19 Bond) SCP003 was the first anti-COVID-19 bond in China. To serve the implementation of major national strategies, the Company issued the country's first medium term note (MTN) for the SOE mixed-ownership reform (2020 Jiushi MTN001) and first pooled commercial paper for high-tech enterprises in Yangtze River Delta (2020 Yangtze River Delta Technology and Innovation Pooled CP001). To develop inclusive finance, the Company devised and issued its first standardized bill called "SPDB Pu Piao Ying 2020 Standardized Bill (Tranche 1)", which was also one of the first products of its kind across the country. Besides, it also struck multiple deals of risk mitigation tools.

The Company actively answered the calls of the country, and served the implementation of national strategies. It increased credit support for such real economy sectors as manufacturing and green finance, with a view to fulfilling social responsibilities due to financial enterprises. As at the end of the reporting period, the Company's outstanding mid-to-long-term loans granted to the manufacturing sector amounted to RMB101.2 billion, crossing the RMB100 billion mark for the first time. Its balance of green credit was RMB262.8 billion, and the balance of syndicated loans was RMB234,997 million.

Transaction banking

The transaction banking segment focused on the core tasks of the Bank, served all sorts of customers at the Company, and pushed forward the digitalization drive across the board. Specifically, it moved fast to help enterprises resume work and production from the COVID-19 shutdown, came on board with the "dual circulation" development pattern, and saw international and domestic trade financing growing despite the bad trade environment. It explored new business forms and models to digitalize service delivery, served the real economy with the industry-leading inclusive finance and technology finance, and made intensive efforts to enrich the transaction banking service brands. During the reporting period, the Company's cross-border RMB receipt and payment business volume exceeded RMB570 billion, a year-on-year increase of 54.27%; its volume of e-channel transactions was RMB58.11 trillion, with the off-counter transaction rate going beyond 99%, and the ratio of corporate businesses conducted via self-service devices to outlets' total business volume exceeding 90%; and the number of active payment and settlement customers of the Company reached over 120,000, a net increase of 20,000 over the same period of the previous year. As at the end of the reporting period, the balance of foreign currencies placed onshore totaled USD6,688 million; the number of core supply chain customers reached 628; and the number of upstream and downstream supply chain customers hit 12,344, of which, upstream and downstream customers of auto finance numbered 1,871.

Inclusive finance

During the reporting period, the Company acted quickly and proactively to help small and micro enterprises overcome the severe shocks caused by the COVID-19 pandemic. It introduced a series of measures to provide inclusive finance services in support of pandemic prevention and control, resumption of work and production, and real economy development. As at the end of 2020, the Company's balance of inclusive loans extended by the standard of "two increases" stood at RMB270,958 million, a net increase of RMB66,869 million or 32.76% from the beginning of the year; and the number of small and micro enterprises receiving the loans extended by the standard of "two increases" hit 187,500, a net increase of 37,500 from the beginning of the year. In the year, the cumulative interest rate of inclusive loans extended by the standard of "two increases" was 4.78%, a decrease of 0.73 percentage point from 2019.

During the reporting period, the Company continued to improve the inclusive finance mechanisms and systems, by thoroughly studying the operating risk characteristics and risk management differences of small and micro enterprises, listing credit plans and risk limits separately, and formulating differentiated industry investment policies. At the same time, a host of measures were rolled out, which included increasing funds transfer pricing (FTP) subsidies, strengthening performance appraisal incentives, standardizing service charges for small and micro enterprises, optimizing the policy where inclusive finance staff who fulfilled their duties would not be held accountable, and implementing the policy on deferred repayment of principal and interest. The purposes of these measures were set to encourage the supply of inclusive loans, empower inclusive businesses to improve quality and efficiency, and help the real economy attain sustainable development.

During the reporting period, the Company continued to digitalize the operation of inclusive finance, upheld the business principles of massive customer acquisition, standardized

operation, digital support, and intelligent risk control, and reshaped the online flow of the financing business for small enterprises. First, it strengthened the mobile financial services for small and micro enterprises, by optimizing the dedicated service zone of mobile banking, and iterating the functions of payment settlement, credit line calculation on a trial basis, account opening by appointment, repayment calculation on a trial basis, and others. Second, an online service platform that integrated SPD Hui app, personal loan applet, and quick loan secured with housing (H5 page) was set up to upgrade the digital service model for personal business loan customers. Third, the full coverage of online financing varieties was realized. Many kinds of standardized online products targeted at small and micro enterprises launched throughout the year included online factoring, online forfaiting, bank-taxation loan, online discount, and quick loan secured with housing, with a view to meeting the financing needs of customers at multiple levels under various scenarios. Fourth, innovative FinTech was applied to the industry at greater depth. Starting from the use of blockchain technology, the Company tried to march into different industries and provide them with in-depth services. Meanwhile, the service solutions were upgraded constantly. Fifth, the Company cooperated with a number of high-quality core enterprises or supply chain platforms to carry out online supply chain-based financing business. With this step, it met the financing needs of micro, small and medium customers distributed along the upstream and downstream supply chains of core enterprises in an efficient and convenient way.

International business vehicles

The Company made steady strides in international operations. Relying on overseas branches, FTZ branches, and offshore business presence, it put in place and optimized the international business platform which was integrated at home and abroad. Meanwhile, it actively got aligned with the opening-up strategy of the country, and devoted itself to providing a wide range of financial services as actually needed by the “going global” Chinese enterprises, the Belt and Road Initiative implementation, and the FTZ construction.

In the reporting period, the Bank gripped market opportunities to develop international business vehicles (including offshore, FTZ branches, and overseas branches), with an emphasis placed on developing core customers and accelerating optimization of the business structure. As a result, all international businesses were boosted and had good development. As at the end of the reporting period, total assets of all the international business vehicles amounted to RMB349,683 million. In the reporting period, these vehicles realized business revenues of RMB3,848 million cumulatively.

4.7.3.2 Retail banking

During the reporting period, the Company upheld the customer-centric approach and followed the guidance of panoramic banking to intensify digital operation and enhance the customer experience. Narrowing focus on key and weak business fields, it dug deep into the market potential, and kept arming customer service, product innovation, risk control system, management mechanism, and channel development with digital means. Consequently, it achieved remarkable results in digital empowerment. The net operating income of the business line hit RMB73.3 billion. Hence, the business line continued to be the largest source of revenue across the Company. The retail deposits crossed the RMB900 billion mark, and the retail loans amounted to RMB1.78 trillion. The balance of personal financial assets (including market value) reached RMB3.13 trillion, marking an enhancement to the

Company's overall strength. While promoting business growth, the Company upgraded the "four-wheel drive for retail banking" again, consolidated the foundation for the tiered operation of retail customers, and kept fueling the sustainable growth of retail business.

Retail customers and total assets under management

During the reporting period, the Company enhanced its customer operation capabilities and improved its customer services by digital means, in a bid to increase customer satisfaction and sense of gain. It explored customer operation modes, with focus placed on the building of a panoramic bank. The Company promoted the "SPD Life Service" platform, with the number of registered users surging from 1.88 million at the beginning of the year to 11 million by the year-end. Tapping deep into the fields of traveling, life, housing, education, culture and tourism, it enabled financial services to reach more customer scenarios, and provided distinctive, high-quality financial services. With corporate and personal banking further coordinated for joint operation, the Company went all out to expand the agency payroll service. As a result, the size of agency payroll service increased by 27% year on year, maintaining an impressive growth rate. It strengthened consumer protection and personal customer information protection by improving related work systems constantly, built a customer experience monitoring platform, and optimized the service quality monitoring regime. As at the end of the reporting period, the number of retail customers (including debit and credit card customers) went beyond 118 million, and the balance of personal financial assets under its management (including market value) reached RMB3.13 trillion, maintaining a trend of steady growth. The balance of personal deposits stood at RMB939 billion.

Wealth management business

During the reporting period, the Company actively adapted itself to the changed market environment, consolidated the foundation for business development, and rendered customers with professional wealth management services. It focused attention on teaming up with leading companies of different industries, stressed the importance of group-wide coordination, and intensified innovation in product development and sales, to sharpen its competitive edges in the market. At the same time, the Company reinforced market analysis and prediction, adjusted product strategies in a timely manner, and elevated the agency sales of funds, insurances, trusts and other products to new heights. The virtual business hall was launched on a trial basis, to provide front-line teams of staff with standardized means to contact customers under various modes such as multi-point video, scenario-based interaction, user-friendly experience, full-process audio and video recording. The intelligent marketing assistant made its debut, to assist wealth management managers in furnishing customers with wealth management services more accurately and efficiently.

During the reporting period, the Company's balance of personal wealth management products stood at RMB992,806 million, and the balance of new net-worth wealth management products as a share of the personal wealth management products surged by 30 percentage points, making significant headway. The fund business achieved rapid growth. The scale of fund holdings soared by 220% year on year, thus becoming more influential in the market. The wealth management income reached RMB7.07 billion.

Retail credit business

During the reporting period, the Company continued to diversify the retail credit product lineup, strengthened the building of digital risk control capabilities, and optimized the business operation mechanisms. As at the end of the reporting period, the Company's total personal loans amounted to RMB1,776,794 million. Of these, the housing mortgage loans totaled RMB841,967 million. The Company rolled out three innovative products: the "SPD Inclusive Tax Loan", an inclusive loan product that was all driven by data, went online throughout the entire process, and supported complete autonomous risk control; the "SPD Fabei", a completely online petty consumer loan product; and the Tianju app, an online service platform that could integrate a host of functions such as house viewing, mortgage loan application, and convenient life services. At the same time, it also made eight post-lending services such as repayment changes and clearance certificates available online around the clock. During the pandemic response, the Company provided preferential loan interest rates for key products, opened green channels for customers who needed to adjust their repayment plans, and set reasonable grace periods for repayment. All of these steps were aimed to help customers, especially small and micro enterprises, to tide over the present difficulties.

Debit card and payment settlement

During the reporting period, the Company worked with over 500 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 Company cumulatively issued 8,912,900 new debit cards, bringing the total number of debit cards in circulation to 75,296,000. The acquiring business continued to raise service standards and serve the real economy. Specifically, it relied on online and offline channels such as APIs, smart terminals, official accounts, applets, and apps to satisfy the sales and collection needs arising from different industries and digitalize a host of sectors including utility bills payment, transportation, retail, health, and education. In the process, it provided consumers with a convenient and easy-to-use payment experience.

Credit card

During the reporting period, the Company saw all indicators of credit card business growing steadily and keeping various risks under control. As at the end of the reporting period, it had 43.7222 million credit cards in circulation; the number of accounts in circulation stood at 31.574 million; and the balance of credit card overdrafts amounted to RMB372,117 million. During the reporting period, the Company's credit card transactions amounted to RMB2,179,225 million; and the business generated a total income of RMB44,989 million.

During the reporting period, the Credit Card Center acted on the development philosophy of "building a panoramic bank", thoroughly implemented the requirements for taking customer experience and technological empowerment as the two-wheel drive, and vigorously promoted the building of an open ecosystem. APIs, applets, and other means were used to promote the two-way integration of service capabilities under ecosystem-based scenarios and partner scenarios. Consequently, a multi-scenario financial ecosystem came into being,

which featured open cooperation, scenario-based driving forces, and collaborated connection. When intensifying data empowerment, the center made full use of big data, cloud computing, AI and other FinTech to upgrade the risk control system and customer management system continuously. It also devised an intelligent decision-making central network that deeply integrated business, data, and technology. Thanks to the network, the center further enhanced its ability to make quantitative operation and management decisions. With respect to the promotion of technological innovation, the center did various aspects of work: building a set of credit card-related intelligent robot systems and applying process robots to a wider range of scenarios. In doing so, it strove to pinpoint the fields of business from which technologies could start to play their driving role. To be specific, the self-developed intelligent collection robot managed to drive the growth of the collection business at the Company. It was nominated for the "Financial Innovation Achievement Awards" of Shanghai. The customer experience was extended to cover the entire card using process. A panoramic view of customer journey was drawn using the card using process as the abscissa and the business contact channel as the ordinate. From the perspective of customers, the center formulated the customer contact experience indicators and standards for each journey, completed the establishment of the customer experience monitoring system, and carried out the follow-up evaluation and continued optimization to realize the normalized, closed-loop experience monitoring, with a view to improving customer satisfaction constantly. The Company was granted with the "Outstanding Contribution Award for Customer Service" by China UnionPay at the 2020 Interbank Service Symposium.

Private banking

During the reporting period, the private banking segment of the Company maintained its core positioning as a "perpetual value creator", and upheld of the brand slogan that read "what can be inherited is more than wealth". Relying on SPD Bank's leading edge in corporate banking and retail banking, the segment pooled together advantages available across the Group to devise a joint service mode that featured investment and financing integration, domestic and foreign integration, and corporate and personal banking integration. It moved faster to improve the high-net-worth customer management system, and endeavored to create a butler-style private banking service system. Under the system, the Company would help high-net-worth individual customers, their families, and family businesses to engage in family wealth management and continuing corporate operations. As at the end of the reporting period, the Company had nearly 24,000 private banking customers, and managed their financial assets worth nearly RMB470 billion.

4.7.3.3 Financial market and financial institution business

In the reporting period, the Company, in line with the regulatory requirements, enhanced the customer operation, stepped up product and business innovation, expanded the business scale, optimized the business structure, and grasped market opportunities to lift their business standards in financial market business, intensify investment & trading ability, and enhance its operating cost-effectiveness and risk control. As at the end of the reporting period, the scale of fund assets operated by the Company reached RMB2.12 trillion. In the reporting period, the Company's financial market business realized a net income of RMB40,873 million.

Investment transaction

Interbank business: The Company seized windows of market opportunity to promote robust business development. The asset securitization investment increased in scale steadily. Bond trading: The Company closely followed up with market fluctuations to adjust bond strategies at appropriate time, and seized opportunities for market innovation to yield excess returns. Bill business: The Company continued to make business innovation, push forward the digitalization drive, and accelerated the pace of business transformation. Agency business: The Company worked harder to build the SPDB Risk Hedging brand, released the Blue Book on Market Outlook of SPDB Risk Hedging in 2020, offered market players professional judgments and strategic recommendations, and upgraded the agency business and service. In the meantime, the Company tried to seize the opportunities arising from such market segments as interest rate, exchange rate, precious metals, and commodities, fully exploited its professional competences and market-leading positions, and vigorously developed a host of quite competitive products (including interest rate derivatives, foreign exchange structured products, Foreign Exchange E Alliance, Commodity E Alliance, Interest Rate E Alliance, and SPDB Connect). Besides, it managed to put in place multiple forms of innovative business.

Financial institution business

In the reporting period, the Company, centered on the customer-centric business tenet and spearheaded by the strategy of “being driven by customer management and product operation”, continued to cement the network of fund, credit and agency services, spared no effort to frame a network of sale points and digital operations, and raised customer service standards and business efficiency as usual. As at the end of the reporting period, the Company entered partnerships with over 3,000 target customers. It saw the satisfaction rate of customers from major industries staying at a high level. The Company further consolidated its operating characteristics in the financial factor market. The credit customers of various Chinese-funded financial institutions were numbered 452, and the credit structure got further improved. The “E Peer” online interbank platform could better serve and support customers. The total customers of such platform exceeded 2,000. The “Bund 12” interbank exchange platform kept improving, unveiling the online live streaming function. Nearly 50 activities of this kind were carried out throughout the year. Consequently, the brand became increasingly influential.

Asset management

During the reporting period, the Company continued to expand its lineup of products in line with new asset management regulations, so as to guarantee the adequate product supply. Pursing a customer-centric approach, it made every effort to serve customers and meet their diversified needs. Meanwhile, the Company stepped up efforts in standardized asset allocation, and controlled the scale of non-standard investments. It adopted multiple measures to resolve the risk assets under the existing businesses and strengthen risk prevention and control. It nailed down a plan to rectify the existing wealth management business, and beat the targets set for the current phase smoothly. The Company got its application for incorporating a wealth management subsidiary approved, and accelerated the preparations for the opening of the subsidiary. It continued to promote the asset management business towards high-quality development. These efforts achieved fruitful

results. As at the end of the reporting period, assets under the Company's management amounted to RMB1.25 trillion. The Company realized fee-based business income of RMB8.6 billion during the reporting period.

Asset custody

During the reporting period, the Company focused on the sustained and steady development of asset custody business. First, it transformed the business structure, by vigorously developing valuation business. Therefore, impressive business results were achieved in multiple fields of key products. Second, the Company was committed to comprehensive risk control. It used digital means to improve the efficiency and accuracy of risk control. Third, it engaged in intensive operations, becoming the first custodian bank of the industry that concentrated all business operations on the Head Office. At the end of the reporting period, the asset custody business had a scale of RMB13.80 trillion. During the reporting period, the business generated a total of RMB3,036 million of custody fee income.

4.7.3.4 Channels and services

Network building

During the reporting period, the Company newly established 94 institutions, including 68 intra-city sub-branches. By extending the coverage of FinTech-enabled services, it ceased operating 60 business institutions. As at the end of the reporting period, it had established 41 tier-one branches and 1,640 banking outlets in 31 provinces, municipalities directly under the central government, and autonomous regions, Hong Kong Special Administration Region, Singapore and London.

Electronic banking

During the reporting period, the Company 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. At the same time, it went all out to build a panoramic bank. As to online channels, the Company continued to upgrade the intelligent mobile banking app, by offering a complete set of services for the brand-new caring version and minimalist version of the app. It launched a digital employee to serve as a "shopping guide" who could enhance the full-process service experience for wealth investment (before, during and after investment). The "smart brain in the hall" concept was put forth to replace the traditional passive response service with the active precise service, as a move to improve the service efficiency of outlets. The Company explored the digital "Xiaopu New Outlet" mode to render small and medium enterprises with convenient settlement services, help acquire retail customers, and enhance the intelligent service experience at outlets. From the remote perspective, the Company unveiled intelligent customer service, becoming the first Chinese bank to realize the full coverage of intelligent voice service on its telephone banking. It innovatively uploaded the "Xiaopu E Understanding" media-rich remote service, and rolled out the industry-leading "Smart Xiaopu" AI service. The Company set up a dedicated marketing team, strengthened the application of intelligent outgoing call function, and integrated the industry's most cutting-edge voice recognition and semantic understanding technologies. Its intelligent outgoing call capacity, therefore, had few equals in the industry. Meanwhile, the Company got more out of intelligent outgoing call capabilities, and introduced new business scenarios

such as smart collection, bank-enterprise reconciliation, massive account opening verification, AML due diligence, AMA automatic outgoing call marketing to support the bank-wide outgoing call business. At the same time, it studied to bring such advanced FinTechs as graph data, biological recognition, and blockchain into integrated innovation and application, continued to improve intelligent risk control capabilities, and guaranteed the high-quality and healthy development of retail business.

As at the end of the reporting period, the Company had 36.9097 million personal online banking customers, who conducted 103 million transactions in a total amount of RMB5.49 trillion in the reporting period; and it had 49.8233 million personal mobile banking customers who conducted 1,487 million transactions in a total amount of RMB11.41 trillion in the reporting period. The number of personal customers using card-bound internet payment service reached 43.8269 million, up 14.46% year on year, and 2,904 million transactions in a total amount of RMB1.59 trillion were conducted during the reporting period. The Company had 4,902 self-service cash devices in service and 2,924 self-service outlets with the e-channel trading substitution rate up to 99.4%.

Operation support

During the reporting period, the Company, focused on “efficient, direct, intelligent, and shared operation”, built a “smart operation +” system on all fronts. First, seeking cross-boundary collaboration to support high-quality business development: The Company served to put in place the key businesses of the corporate banking, retail banking, and financial market segments. It comprehensively reshaped the business flows of agency payroll service and massive account opening, and provided end-to-end solutions for different types of enterprises. It launched flagship personal remittance products including “overseas-studying remittance” and “cross-border agency payroll service”, and simplified operations to provide convenient foreign exchange collection and settlement services for employees of Chinese-funded institutions abroad. Second, making proactive, joint efforts to overcome the pandemic-inflicted difficulties: The Company built a bank-wide shared operation pool, made unified scheduling of operations across the Bank, and realized seamless collaboration among different regions, to ensure timely implementation of anti-pandemic payment, financing and other services. It formulated business continuity plans given actual pandemic developments in the places where domestic and overseas branches were located. It rolled out the remote account opening service which required no direct contact, and opened up the emergency channels for agency payroll services and massive account opening services during the pandemic response period. Third, introducing technologies to enhance the intelligent level of operations: The Company introduced RPA, optical character recognition (OCR), and outgoing calls made by robots to routine business operations in place of simply repetitive manual tasks. AI technologies such as natural language processing (NLP) and knowledge graph were used to convert professional knowledge into system intelligence. Fourth, laying a solid foundation to reduce hidden operational risks: The Company created an internal account management platform, and examined and standardized the bookkeeping business scenarios and review processes. It established a big data-enabled account evaluation system, and added online verification, namelist-based scanning, and other management functions into the process, with a view to ensuring that the number of accounts involved in cases could remain at a low level of the industry. Fifth, strengthening self-development by building high-caliber staff teams: The

Company continued to promote the building of the "three talent teams", carried out operation marketing on an ongoing basis, facilitated the marketing campaigns of key products across the Bank, and enhanced the value contribution of operating personnel. It organized business skills competitions and operation projects to train an array of competent operators for the Bank. Thanks to these intensified operation services, a total of 45 outlets of the Company were included in the list of Top 1,000 Outlets by China Banking Association throughout the year.

4.7.3.5 Human resources management

During the reporting period, the Company enhanced executive forces, focused on the leading role of Party building and the overall goals set by the human resources management strategy, and provided the organizational and personnel support for the operation and management work across the board. First, centered on the leading role of Party building, it made headway towards high-quality development under the leadership of high-quality Party building efforts. Second, based on the internal and external environments, the three-year human resources action scheme was implemented with effects assured. Third, it acted on the policy for "stabilizing employment" to increase the introduction of talented people, strove to turn out diversified staff members, and built high-caliber talent teams. Fourth, efforts were made to continue optimizing the organizational structure of the Bank and meet the requirements raised by the transformation drive. Fifth, it carried out control over workforce size and structure optimization, improved outlet distribution and increased production capacity. Sixth, emphasis was put on streamlining the official selection mechanism, and building talent echelons, so that the official team could come in a more reasonable age structure and further improve the overall quality. Seventh, steps were taken to improve a host of employee incentive and constraint mechanisms including market-based remuneration management and all-employee performance management. Efforts were also made to strengthen process management and supervision improvement.

4.7.4 Analysis of major holding and participating companies

4.7.4.1 External equity investments

In RMB millions

Investment balance of the Group at the end of the reporting period	12,523
Change of investment balance at the end of the reporting period compared with the previous year	1,185
Change of investment balance at the end of the reporting period (%)	10.45

In RMB millions

	End of the reporting period	End of last year
Investment balance in joint ventures	2,127	1,841
Investment balance in associates	274	208

Other equity investments	10,122	9,289
Total	12,523	11,338

Notes: (1) Joint ventures include AXA SPDB and SPD Silicon Valley Bank;

(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., and National Financing Guarantee Fund Co., Ltd.

4.7.4.2 Interests in unlisted financial enterprises

In RMB millions

Investee	Investment balance	Stake in the company (%)	Book value at the end of the period	Profit/loss during the reporting period	Other changes in owner's equity during the reporting period	Accounting item
AXA SPDB Investment Managers Co., Ltd.	974	51.00	1,384	130	-	Long-term equity investment
SPD Silicon Valley Bank	750	50.00	743	-12	-	Long-term equity investment
Shenlian International Investment Co., Ltd.	286	16.50	484	29	-163	Financial investments: Other equity instrument investments
China UnionPay Co., Ltd.	104	3.07	973	16	24	Financial investments: Other equity instrument investments
National Financing Guarantee Fund Co., Ltd.	1,500	3.03	1,500	-	-	Financial investments: Other equity instrument investments
China Trust Protection Fund Co., Ltd.	500	4.35	500	27	-	Financial investments: Held-for-trading financial assets
Shanghai Life Insurance Co.,	80	1.33	80	-	-	Financial investments:

Ltd.						Held-for-trading financial assets
China Trust Registration Corporation Limited	100	3.33	99	-3	-	Long-term equity investment
Total	4,294		5,763	187	-139	

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

4.7.4.3 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 RMB869,732 million. During the reporting period, Shanghai Trust achieved an operating income of consolidated statement in RMB5,254 million and a net profit of RMB1,620 million.

(2) 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, assets of AXA SPDB Investment Manager scaled up, and the investment performance maintained stable.

As at the end of the reporting period, assets under the management of AXA SPDB Investment Managers reached RMB553,665 million. During the reporting period, AXA SPDB Investment Managers achieved an operating income of RMB970 million and a net profit of RMB303 million.

(3) 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 is committed to "serving the strategy of domestic giant aircraft", focuses on the development of aviation and shipping, public utilities, energy and electric power, advanced

manufacturing, emerging industries 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 RMB91,016 million. During the reporting period, SPDB Financial Leasing achieved a net operating income of RMB3,325 million and a net profit of RMB704 million.

(3) 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 RMB1.5 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 RMB20,915 million. Its operating income was RMB330 million and net profit was RMB2,226 million during the reporting period.

(5) 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 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 HKD2,576 million. During the reporting period, it achieved a net profit of HKD1,586 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 2020, eight SPD rural banks were named "China's Top 100 Rural Banks".

As at the end of the reporting period, 28 SPD rural banks realized operating income of RMB882 million, and possessed total assets of RMB40.5 billion. Their daily average deposit balance was RMB31.9 billion and loan balance was RMB23.2 billion. They had 1.13 million settlement customers and 50 thousand loan customers. With the agro-related loans and small and micro enterprise loans accounting for over 90% of total loans, SPD rural banks faithfully practiced the inclusive finance policy.

4.8 Other Information Disclosed Pursuant to Regulatory Requirements

4.8.1 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.

4.8.2 Repossessed assets and provision for impairment

In RMB millions

	End of the reporting period		End of last year	
The Group	**Amount**	**Balance of allowance for impairment losses**	Amount	Balance of allowance for impairment losses
Real estate	888	168	772	171
Others	-	-	1	-
Total	888	168	773	171

6.8.3 Financial assets and other assets 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 measurement of fair value	31 December 2019	Profit/loss on changes in fair value during the current period	Accumulated changes of fair value recorded into equity	Impairment accrued during the current period	31 December 2020
Financial assets					
1. Precious metals	30,870	-2,420	-	-	44,969
2. Held-for-trading financial assets	505,318	-545	-	-	549,149
3. Derivative financial assets	38,719	24,870	-	-	63,589
4. Loans measured at fair value through profit or loss	3,180	101	-	-	18,280
5. Loans measured at fair value through other comprehensive income	412,935	-	229	319	422,508
6. Other creditor's rights investments	497,508	267	1,250	650	577,786
7. Other equity instrument investments	5,794	-	334	-	5,835
Total financial assets	1,494,324	22,273	1,813	969	1,682,116
Financial liabilities					
1. Held-for-trading financial liabilities	23,295	65	-	-	16,057
2. Derivative financial liabilities	41,503	19,643	-	-	61,146
Total financial liabilities	64,798	19,708	-	-	77,203

Note: This table has no consequent articulation.

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

4.8.4.1 Review on wealth management business in the reporting period

The Bank focused on enhancing meticulous management standards, kept improving the structure of products, and vigorously promoted the research, development and innovation of wealth management products. Such measures as enriching cash management products, transforming net-value products at a faster pace, launching products exclusive to well-divided customer groups, and forging consumer wealth management brands were adopted to promote the wealth management business towards stable, sound development. During the reporting period, the wealth management business reaped an income of RMB7.07 billion.

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

During the reporting period, 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 eight credit asset securitization projects, and underwrote 60 asset securitization projects totaling RMB34,376 million as the lead underwriter.

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

During the reporting period, the Bank carried out customer funds custody, trust custody, security investment funds custody, special QDII assets custody, insurance funds custody, custody for fund separately managed account (SMA) products, custody for assets of securities companies, custody for assets of futures companies, private fund custody, direct equity custody, custody for banks' wealth management products, enterprise annuity and benefit scheme custody. As at the end of the reporting period, the asset custody business had a scale of RMB13.80 trillion. During the reporting period, the business generated a total of RMB3,036 million of custody fee income.

4.8.4.4 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, and constructed a reserve of selected funds named "Kao Pu Selection". It focused on marketing open-ended public fund products, G-smart Investment, Pu Fa Bao, and SMA business of standard asset funds. A non-interest income of RMB1,576 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 RMB1,325 million.

As to the retail precious metal business, the Bank rolled out the gold trading training camp, and optimized the Jin Pin Hui trading community platform on the mobile banking app. During the reporting period, it generated a non-interest income of RMB366 million.

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

In RMB millions

The Group	**End of the reporting period**	End of last year
Credit commitments	1,368,531	1,182,694
Incl.: Bank's acceptance bill	553,527	473,598
Letters of credit issued	176,517	162,473
Letters of guarantee issued	112,564	88,940
Credit card and loan commitments	525,923	457,683
Operating lease commitments	9,769	9,243

Capital commitments	13,887	11,703

4.9 Discussion and Analysis on Future Development

4.9.1 Management measures in 2021

The Bank will earnestly implement the decisions and plans made by the CPC Central Committee and the State Council as well as regulatory requirements, uphold the general principle of pursuing progress while ensuring stability, actively serve the needs of real economy, and resolutely forestall financial risks. Focusing on the main business line, the Bank will move ahead with digital building across the board and embark on a new journey of building a top-notch joint-stock commercial bank in an all-round way.

- **Improving strengths, shoring up weaknesses and consolidating the foundation for high-quality development.** Leveraging on its business advantages, the Bank will put in a great deal of efforts to build featured brands such as technological innovation, free trade and green finance. It will make up for business shortcomings and focus on key regions, key customer groups and products. Besides, the Bank will continue to invest in quality assets, improve inclusive finance and other services, and consolidate the foundation for high-quality development.
- **Strengthening coordination and collaboration to enhance the synergy of customer operation.** From the perspective of customers, the Bank will strengthen all-round and multi-level collaboration within the Group, break barriers and strengthen integration, so as to accelerate the reform of operating models.
- **Continuing to intensify capacity building and enhance the business competence of the team.** The Bank will focus on improving the research, business and digital capabilities of its employees to further improve the quality and efficiency of operation.
- **Pushing forward digital building in an all-round way and accelerating the development of a new model for customer expansion.** The Bank will upgrade the structure of its operation and management platform, strengthen data governance, improve customer ecosystem and continuously better its customer management system.
- **Focusing on improving asset quality and enhancing comprehensive risk management capability.** The Bank will continue to reduce risks, strengthen comprehensive risk management and accelerate the reconstruction of a new model of risk management and control. It will also further enhance the effectiveness of compliance and internal control management.
- **Continuing to consolidate basic management and improve the bank-wide development.** The Bank will strengthen the basic management of assets, liabilities and operations, push forward the steady operation of the wealth management subsidiary and the establishment of a FinTech subsidiary, continue to deepen the group-wide and international operations, and perform sound pandemic prevention and control.

4.9.2 Possible risks

Impacted by the pandemic, there is still a lack of momentum in global economic growth. Given disruptions to economic recovery, major overseas economies may still adopt accommodative policies to support economic growth in 2021, and it is difficult to

significantly improve the geopolitical landscape in the short term.

In terms of domestic economy, two major factors may lead to a declining growth rate in 2021. The first factor is base effect. As the economic growth rate in the first quarter of 2020 experiences an unusual low, the base effect may lead to a high GDP growth rate in the first quarter of 2021. In the second quarter and beyond, GDP growth rate will continue to decline due to the base effect. The second factor is the gradual withdrawal of accommodative policies. From a counter-cyclical perspective, the interim accommodative special measures introduced in 2020 in response to the pandemic may be gradually withdrawn in 2021, and the impact on the economy will emerge in the second half of the year.

In terms of regulatory environment, regulatory policies will attach more importance to balancing the relationship between risk prevention, stable growth and financial innovation. Commercial banks will take more effective measures in comprehensive risk management, and strict implementation of the concentration management policies on real estate loans and rules for the financing management of key real estate enterprises. In particular, 2021 is the last year of the transition period for the new asset management rules, and areas such as the intensified supervision on institutions that failed to dispose of existing wealth management assets will face more prudent regulatory requirements, which requires commercial banks to accelerate the transformation of business model and improve the quality and efficiency of development.

4.10 Risk Management

4.10.1 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.

4.10.2 Statement on credit risk

4.10.2.1 Policy making

First, the Bank formulated the 14th five-year plan for risk management and the three-year action plan for the risk management line of the Head Office, made comprehensive plans for the strategic objectives and key measures for risk management in the next five years, and implemented the three-year action plan.

Second, the Bank formulated the new three-year risk appetite for 2021-2023 on 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.

Third, the Bank established a three-level credit policy system, to standardize the overall credit supply, industry policies and customer lists. It formulated the annual credit granting policy, continuously improved credit policies to support the fight against the virus, and refined the criteria for selecting leading enterprises under differentiated policies for different branches.

Fourth, the Bank organized efforts to implement differentiated policies for different branches and put such policies under regular management, made decisions from actual conditions, and instructed credit supply in a precise way. It released the list of leading enterprises of all branches under differentiated policies for different branches, and adjusted the list in the middle of the year. It gave more policy support to the listed leading enterprises in terms of customer access, approval and authorization, industry limit, and other aspects.

Fifth, 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.

4.10.2.2 Credit extension management

First, the Bank followed national strategies and plans, and performed its due social responsibilities as a commercial bank.

Second, the Bank closely followed up with the macro economic and financial situation, earnestly implemented the requirements set forth by financial regulators, and prudentially conducted credit approval to protect the asset quality and security. As a result, it achieved concreted results in adjusting the credit structure.

Third, the Bank developed a more intensive credit approval system, better implemented its risk policies and risk appetite, and further standardized its credit approval criteria.

Fourth, the Bank achieved remarkable results in basic credit management, refined relevant management, made steady progress in approval quality, and secured a leading position among joint-stock banks in terms of timeliness of approval.

Fifth, the Bank made consistent efforts in credit extension, promoted the optimal allocation of credit resources, delivered professional services in guiding customer selection and risk prediction, and ensured the smooth implementation of quality projects.

Sixth, the Bank provided multi-level, diversified credit training programs to enhance the competence of credit teams across the board.

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

4.10.2.3 Risk forewarning

First, the Bank continuously refined its risk forewarning mechanism, strengthened screening and cross-warning management of credit business of key risk-bearing customers from the corporate banking, retail banking, interbank business, wealth management, and consolidated subsidiaries, and improved the joint risk forewarning mechanism for credit business. The Bank strengthened look-through risk monitoring and forewarning for assets recognized back onto balance sheet in the rectification of wealth management business. It carried out special inspections on overseas branches and consolidated institutions and systematic monitoring on key risk areas, verified and supplemented online and offline results, and advanced to build a digital risk control system covering the whole Group.

Secondly, the Bank continued to improve the risk forewarning management platform, improved and applied automated forewarning rules, established a post-assessment

mechanism for risk forewarning, and made risk forewarning more comprehensive, effective and timely.

Thirdly, the Bank strengthened the sharing and effective application of forewarning information, enhanced the sharing of risk forewarning information among business lines such as corporate credit, proprietary trading and asset management, and stepped up effective collaboration between risk forewarning and links of credit process, risk classification, credit rating, and credit inspection.

Fourth, the Bank continued to reduce and exit loans to customers who triggered forewarnings, further optimizing the credit structure.

4.10.2.4 Asset resolution

The Bank made greater efforts in collecting and resolving NPLs, striving to increase the efficiency of disposing of risk-bearing loans.

First, the Bank exercised the list-based classification management of loans, intensified the supervision and management of risk resolution regarding NPLs of key branches, key businesses and key projects, and managed all risk-bearing customers with accurately tailored policies.

Second, the Bank 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 further advanced the implementation.

Third, the Bank accelerated the transformation of NPA management and disposal, actively promoted and guided the bank-wide change of NPA disposal mode, built a market-oriented disposal platform, and developed and applied big data inspection tools. It also continued to push forward the requirements for due diligence and recourse management, and effectively improved the performance of NPL disposal.

4.10.3 Statement on liquidity risk

The objectives of liquidity risk management of the Bank are set to get adequate funds on time and at 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; and 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.

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 on daily position accounts in local and foreign currencies, made 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 to realize 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, multiple measures were adopted to promote the significant growth of general deposits, consolidate the liability base, and improve the quality of liabilities. Second, efforts were made to coordinate and promote active liability instruments such as financial bonds and to increase the sources of long-term stable funds. Third, more steps were taken to strengthen macro-economic research and prediction as well as dynamic forecast of liquidity profile across the Bank, to accurately allocate assets and liabilities, to optimize the asset and liability term structure in a rolling manner, and to strengthen active risk management. Fourth, continuous efforts were made to optimize the daily liquidity management of treasury, improve the position pre-declaration mechanism, raise the position pre-declaration standards, intensify daytime position monitoring, and ensure reserve security. Fifth, regular stress tests and emergency drills were carried out to improve the ability to address liquidity risk events. Sixth, the management information system was improved to raise the accuracy and timeliness of liquidity risk measurement, and support management decision-making. The Bank prevented liquidity risk through the above-mentioned measures.

As at the end of the reporting period, the proportion of liquidity available across the Group calculated by the regulatory standards was 46.03%; the proportion of liquidity available across the Bank was 45.95%; the RMB excess reserve ratio stood at 3.63%, up 0.51 percentage point over the end of last year; the liquidity coverage ratio of the Group posted 132.25%, and the liquidity coverage ratio of the Bank was 131.61%, up 9.45 percentage points over the end of last year. In brief, the overall liquidity was appropriate and robust.

4.10.4 Market risk management conditions

In 2020, the Bank nailed down the 2020 market risk limit based on the market risk appetite for 2019-2021. During the reporting period, the Bank closely tracked market risk exposures and market changes at home and abroad, intensified new product review and transaction strategy tracking evaluation of transaction business, and stepped up the monitoring of market risk limit, transaction authorization, credit limit, transaction behaviors, profit/loss forewarning etc. Consequently, the Bank managed to keep the market risk monitoring indicators within the scope of risk appetite. The stress test results showed that under an extreme unfavorable scenario, the Bank would face certain negative influences, which were within the controllable range.

During the reporting period, the Bank paid close attention to the impacts brought by the regulatory policies and monetary policies at home and abroad, COVID-19 and international geopolitical events, continued to improve its capabilities of market situation analysis, market risk measurement and transaction strategy evaluation, strengthened market risk management, and protected transaction business from being negatively impacted by any

major events in the financial market. First, the Bank established a new product management mechanism for transaction business and improved the new product risk review and evaluation procedures. Second, it continued to develop related systems and boost the ability to measure complex derivatives. Third, it implemented as scheduled the project aimed to align itself with the new standardized approach to market risk according to Basel III, and established a new standardized approach-based measurement system in line with the requirements of Basel III and domestic regulators, so as to comprehensively improve and optimize the market risk policy system and management process. Fourth, it refined the market risk data platform, improved the market risk calculation engine, and built a high-level market risk management foundation.

As at the end of the reporting period, the Bank's consolidated market risk capital was RMB4,834 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 2020	1,333.60	1,709.60	38.77	1,138.99	21.51	591.04	4,833.51

4.10.5 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.

In 2020, 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. Pursuant to regulatory requirements, the Bank started to carry forward the consulting program on the new standardized approach to operational risk of Basel III, and was committed to building a new standardized approach capital system for operational risk. During the reporting period, relevant departments and branches developed corrective measures to address some key risk indicators with abnormal changes. At the same time, the Bank carried out onsite inspections and trainings for primary-level institutions, and put forth suggestions for rectifying the problems identified in the inspections. Operational risk was controllable in large.

4.10.6 Statement on other risks

4.10.6.1 Compliance risk

Centered on the corporate strategies, the Bank closely focused on the main task of high-quality development, optimized systems and mechanisms, consolidated management foundation, and improved management capabilities. Focusing on key regulatory concerns and internal risk links, the Bank continued to improve working measures, prevention and control measures and digital management means, further strengthened the compliance

awareness and improved the quality and efficiency of compliance management. The Bank's compliance risk management was in an overall good shape.

4.10.6.2 AML

Responding to frequent external money laundering risks, the Bank continuously cemented the management foundation, defined the responsibilities of institutions, and achieved positive results. It stimulated all employees' awareness of AML compliance through AML assessment, and effectively identified and controlled money laundering risks by establishing the management framework for AML, anti-terrorist financing and anti-tax evasion, controlling risks in the areas with frequent occurrence of money laundering, applying cutting-edge technologies, and carrying out institutional money laundering assessment. Besides, the Bank strengthened AML publicity in conjunction with hotspot issues and well fulfilled its social responsibilities.

4.10.6.3 Legal risk

The Bank strictly implemented the requirements of corporate governance according to law, paid attention to changes in external laws and regulations, timely assessed and revised its internal management policies, and strengthened the identification and prevention of legal risks in innovative businesses and key areas. It strengthened the identification, prevention, handling and management of legal risks, attached importance to increase the digital application in legal risk management, and conducted the legal risk management with quality and effect better assured. It also continued to promote the legal publicity and education, strove to enhance the awareness of governance by law among all employees, and assumed the responsibilities for popularizing laws vigorously.

4.10.6.4 IT risk

The Bank made continuous efforts to improve its IT risk management mechanisms, and enhanced the identification and prevention of IT risk through multiple special IT risk assessments and continuous monitoring of IT risk events and indicators.

4.10.6.5 Business continuity management

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

4.10.6.6 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 risk control and income guarantee in work. 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.

4.10.6.7 Reputational risk

The Bank maintained highly sensitive to public opinions, persistently improved its reputational risk management mechanism, intensified a full-course management of reputational risk, and leveraged digital platforms to realize systematic reputation management. Besides, it intensified new media management and application, and improved the building of We-Media communication matrix, thus continuously raising the scale and influence of positive publicity. During the reporting period, the reputational risk was controllable with a steady trend.

4.10.6.8 Country risk

During the reporting period, as country risk increased significantly across the world, country risk exposures of the Bank rose rapidly, making management more difficult. The Bank effectively improved the efficiency of country risk monitoring, reasonably controlled the exposures to key countries and further optimized the allocation of cross-border asset portfolios by strengthening the control over country limits, intensifying the monitoring and forewarning efforts, implementing the special investigation mechanism for foreign-related risks, and upgrading system management tools. As at the end of the reporting period, country risk exposures of the Bank remained in a steady state with a sound structure. Related quotas were performed in a satisfactory way, and the country risk was controllable in general.

4.11 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 further progress. In 2020, the PBC continued to deepen the interest rate liberalization reform, promoted the application of LPR, and pushed forward the conversion of pricing benchmark of existing floating-rate loans. All of these moves worked together to lower down the financing cost facing the real economy. In 2021, the PBC is expected to further unclog the monetary policy transmission mechanism, and cut down the comprehensive financing cost significantly by continuously deepening the reform. Against such a backdrop, commercial banks are expected to continuously strengthen the research and prediction of interest rate trends, and improve the asset and liability management capabilities in addition to intensifying services for the real economy.

Second, the market-based RMB exchange rate formation mechanism was further improved. In 2020, as the PBC further deepened the market-oriented reform of exchange rate, and strengthened the guidance of market expectations, RMB exchange rate presented a clearer characteristic of two-way fluctuation, and market expectations maintained stable. In 2021, the world will still remain under the uncertain political and economic situation, and the two-way fluctuation of RMB exchange rate will become normal. Commercial banks need to be alert to the exchange rate risks brought about by the impact of uncertain events, further build up their ability in exchange rate risk management, and win more space for related business lines to further develop.

Third, intensified tax cut and fee reduction, the direct allocation of central government funding and other macro policies benefited more economic entities. In 2020, in response to the pandemic, China pushed ahead with policies to ease enterprises' difficulties such as tax cut and fee reduction as well as the direct allocation of central government funding, which

helped to reduce new burden of enterprises by RMB2.5 trillion, and strongly supported the pandemic prevention control and the reopening of the economy. In 2021, the Chinese government will continue pursuing the proactive fiscal policy, implement the tax reduction and fee reduction policy with intensified efforts, in the hope of bolstering the steady and sustainable development of economy. The improvement in the tax environment not only does good to business operations, but also offers a strong guarantee for commercial banks to provide financial services properly.

4.12 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 RMB14.960 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 RMB14.960 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 total 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 above mentioned 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 V Important Matters

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

5.1.1 Making 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, the organization and implementation of profit distribution and the profit distribution policy changes, and states that the Bank's cash bonus scheme shall meet relevant rules of the 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 of the Bank 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.

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

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 (%)
2020	-	4.80	-	14,089	55,244	25.50
2019	-	6.00	-	17,611	57,186	30.80
2018	-	3.50	-	10,273	54,189	18.96

Note: The 2020 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 29,352,140,893, the total ordinary shares of the Company as at the end of the reporting period.

5.1.3 2020 profit distribution plan of the Bank

The audited 2020 accounting statement showed that, the Bank realized a total net profit of RMB55,176 million, and after deducting the dividends on SPDB P 1 and SPDB P 2 of RMB1,662 million and on perpetual bonds of RMB1,419 million issued in the year, the actual profit distributable to ordinary shareholders this year would be RMB52,095 million.

The Bank proposed the 2020 profit distribution plan as follows:

(1) To withdraw discretionary surplus reserve at 30% of after-tax profit of the year, RMB16,553 million in total;

(2) Pursuant to the Administrative Measures for Reserve Provisioning of Financial Enterprises 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 RMB11 billion for general reserve in 2020.

(3) To distribute to all ordinary shareholders cash dividends at RMB4.8 (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 2020, the Bank's ordinary shares totaled 29,352,140,893, based on which the cash dividends to be distributed were calculated in RMB14,089 million (tax inclusive).

5.2 Issuing of Capital Bonds during the Reporting Period

5.2.1 Tier 2 Capital Bonds

On 3 August 2020, the Bank finished issuing the 2020 Tranche 1 Tier 2 Capital Bonds in the national interbank bond market upon the approval of the CBIRC and PBC. The bonds issued came in a size of RMB40 billion, and were divided into two types. Type 1 are 10-year fixed-interest-rate bonds, with the issuer's conditional redemption right at the end of the fifth year. The bonds were in size of RMB32 billion with a coupon rate of 3.87%. Type 2 are 15-year fixed-interest-rate bonds, with the issuer's conditional redemption right at the end of the 10^{th} year. The bonds were in size of RMB8 billion with a coupon rate of 4.18%. All funds raised by the bonds shall be used to replenish tier 2 capital of the Bank as per applicable laws and the approval of the regulators.

On 17 September 2020, the Bank finished issuing the 2020 Tranche 2 Tier 2 Capital Bonds in the national interbank bond market upon the approval of the CBIRC and PBC. The bonds issued came in a size of RMB40 billion, and were divided into two types. Type 1 are 10-year fixed-interest-rate bonds, with the issuer's conditional redemption right at the end of the fifth year. The bonds were in size of RMB30 billion with a coupon rate of 4.27%. Type 2 are 15-year fixed-interest-rate bonds, with the issuer's conditional redemption right at the end of the 10^{th} year. The bonds were in size of RMB10 billion with a coupon rate of 4.52%. All funds raised by the bonds shall be used to replenish tier 2 capital of the Bank as per applicable laws and the approval of the regulators.

5.2.1 Undated Capital Bonds

On 23 November 2020, the Bank finished issuing the 2020 Undated Capital Bonds in the national interbank bond market upon the approval of the CBIRC and PBC. The bonds issued came in a size of RMB50 billion, with a coupon rate of 4.75% in the first five years (which can be adjusted for once every five years) and the redemption right exercisable on the interest dates of the fifth and following years.

All funds raised by the bonds shall be used to replenish the additional tier 1 capital of the Bank as per applicable laws and the approval of the regulators.

5.3 Issuing of Financial Bonds during the Reporting Period

On 29 April 2020, the Bank finished issuing the 2020 Tranche 1 Financial Bonds in the national interbank bond market upon the approval of the CBIRC and PBC. The bonds issued came in a size of RMB50 billion. These 3-year fixed rate bonds had a coupon rate of 2.08%. All funds raised by the bonds were used to meet the needs of asset and liability allocation of the Bank, diversify the sources of funds, optimize the maturity structure of liabilities and promote the steady development of its business in line with applicable laws and approval of regulators.

5.4 Handling of Equity of Invested Enterprises

Pursuant to the Measures on Further Expanding the Opening-up of the Financial Industry issued by the Financial Stability and Development Committee of the State Council and the arrangements of the CSRC, the restriction on the foreign share ratio of fund management companies is lifted nationwide as of 1 April 2020. During the reporting period, Shanghai Trust, a controlled subsidiary of the Company, received a notice from J.P. Morgan Asset Management, stating that J.P. Morgan Asset Management intended to acquire the remaining shares of China International Fund Management Co., Ltd. (“CIFM”) held by Shanghai Trust.

CIFM was established in 2004, with 51% equity held by Shanghai Trust and 49% held by J.P. Morgan Asset Management (UK) Limited.

In order to implement the national initiative of opening up the financial industry and optimize the Group’s development strategy, the Bank initiated the communication and negotiation, valuation, listing and other relevant matters in relation to the above equity transfer in compliance with regulatory requirements, the requirements for state-owned assets management and the Articles of Association based on the business principle of mutual benefits.

5.5 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 29,352,140,893 as at the end of the reporting period. The relevant change in registered capital is subject to the approval of the CBIRC.

5.6 No Fund Occupied during the Reporting Period

5.7 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

5.8 The Bank Had No Bankruptcy Reorganization during the Reporting Period

5.9 Influences of Changes in Accounting Policies on the Bank

In December 2019, the Ministry of Finance notified to issue the Interpretation No. 13 on the Accounting Standards for Business Enterprises (hereinafter referred to as "Interpretation No. 13") and required the enterprises which practiced the Accounting Standards for Business Enterprises shall implement the Interpretation No. 13 from 1 January 2020. As per requirements of the Ministry of Finance, the Bank put into operation the Interpretation No. 13 on the prescribed date and adjusted relevant contents of its accounting policies.

Interpretation No. 13 further clarified the judgement of related parties such as the enterprise and other members of the enterprise group to which it belongs, and the judgement of whether a combination of operating activities or assets obtained in an enterprise merger constitutes a business. The adoption of Interpretation No. 13 has no material impact on the financial position and operating performance of the Group.

5.10 Major Litigation and Arbitration

As at the end of the reporting period, the Bank as a plaintiff had 18,544 pending proceedings, which involved an amount of RMB42,478 million. As at the end of the reporting period, the Bank as a defendant (including the third person) had 339 pending proceedings, which involved an amount of RMB8,457 million.

5.11 Related-party Transactions

5.11.1 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 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, and built a database of related-party transactions. It optimized the related-party transaction review procedure, 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 compliance of information disclosure. Transactions between the Bank and its related parties observed the principles of integrity and equity, powerfully promoting the synergy of the Bank, other companies under the Group and related shareholders.

5.11.2 Conditions of material related-party transactions

Counterparty	Transaction type	Amount	Approved by	Main contents of transactions
Bailian (Group) Co. Ltd.	Credit extension	RMB9 billion	Board of Directors	The Third Meeting of the Seventh Board of Directors agreed to grant a comprehensive credit line of RMB9 billion to Bailian Group, without granting unsecured loans and with conditions no more favorable than those for similar transactions with non-related parties and a term of two years.
Shanghai International Trust Co., Ltd		RMB3 billion		The Fifth Meeting of the Seventh Board of Directors agreed to grant a comprehensive credit line of RMB3 billion to Shanghai International Trust Co., Ltd., a comprehensive credit line of RMB13.3 billion (or equivalent currency) to SPDB Financial
SPDB Financial Leasing Co., Ltd.		RMB13.3 billion (or equivalent currency)		
SPDB International		HKD8 billion (or equivalent currency)		

Holdings Limited				Leasing Co., Ltd., and a comprehensive credit line of HKD8 billion (or equivalent currency) to SPDB International Holdings Limited, with conditions no more favorable than those for similar transactions with non-related parties and a term of one year.
Shanghai Jiushi (Group) Co., Ltd		RMB24.5 billion		The Ninth Meeting of the Seventh Board of Directors agreed to grant a comprehensive credit line of RMB24.5 billion to Shanghai Jiushi (Group) Co., Ltd., without granting unsecured loans and with conditions no more favorable than those for similar transactions with non-related parties. The credit line is valid until 3 December 2021.
Shenergy Group Co., Ltd.		RMB20 billion		The 14th Meeting of the Seventh Board of Directors agreed to grant a comprehensive credit line of RMB20 billion to Shenergy Group Co., Ltd., without granting unsecured loans and with conditions no more favorable than those for similar transactions with non-related parties. The credit line is valid until 6 August 2021.
Shanghai International Group Co., Ltd.		RMB8.04 billion and HKD500 million		The 16th Meeting of the Seventh Board of Directors agreed to grant Shanghai International Group Co., Ltd. a comprehensive credit line of RMB8.04 billion and HKD500 million, without granting

Guotai Junan Securities Co., Ltd. Haitong Securities Co., Ltd.		RMB24.6 billion RMB21.5 billion		unsecured loans and with conditions no more favorable than those for similar transactions with non-related parties and a term of one year. The 18th Meeting of the Seventh Board of Directors agreed to grant a comprehensive credit line of RMB24.6 billion and RMB21.5 billion to Guotai Junan Securities Co., Ltd. and Haitong Securities Co., Ltd., respectively, with conditions no more favorable than those for similar transactions with non-related parties and a term of one year.

5.11.3 Related natural persons and transaction balance

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

As at the end of the reporting period, related-party transactions between the Bank and its related natural persons were as follows:

In RMB millions

	End of the reporting period
Number of related natural persons	**18,531**
Balance of related-party transactions	**2,271**

5.11.4 Material related-party transactions with joint outward investment

In the reporting period, the Bank made no material related-party transactions with joint outward investment.

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

In August 2017, the Bank issued non-public shares to Shanghai International Group Co., Ltd. and Shanghai Guoxin Investment Development Co., Ltd. The two companies undertook and agreed that the underlying shares they subscribed were subject to a lock-up period of 36 months, and they wouldn't trade such shares publicly or transfer the underlying shares or

the shares derived from the underlying shares by any means within the lock-up period. The lockup period of the above shares subject to restricted sales expired on 4 September 2020, and became tradable.

5.13 Punishment and Rectification Imposed on Listed Companies and Their Directors, Supervisors, Senior Management Members, Controlling Shareholders, De Facto Controllers and Buyers

During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management members, shareholders holding more than 5% of the shares, or 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, restricted access to the market, identification as unqualified, penalty by other administrative authorities or public reprimand by the stock exchanges. During the reporting period, the Bank was not subject to any administrative supervision measures by the CSRC or its agencies or request for rectification within a time limit.

5.14 During the reporting period, the Bank has not implemented any stock ownership incentive plan, employee stock ownership plan or other employee incentive plans

5.15 Major Contracts and Their Execution

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

ii. 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.

iii. 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.

5.16 Major Entrusted Wealth Management Affairs

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

5.17 Material Assets Acquisition, Sale or Disposal and Enterprise Merger

For details on handling of shares of China International Fund Management Co., Ltd. by the Bank's controlled subsidiary Shanghai Trust, please refer to "5.4 Handling of Equity of Invested Enterprises".

Save as the above, during the reporting period, there was no other material assets acquisition, sale or disposal or enterprise merger at the Bank.

5.18 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 accounting treatment for write-off was RMB68,009 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.

5.19 Active Performance of Social Responsibility

5.19.1 Poverty alleviation by the listed company

5.19.1.1 Precision poverty alleviation planning

Spearheaded by the concept of “systematization, innovation and diversification”, the Bank has actively performed its responsibilities due to a corporate citizenship and continued to refine the mechanism of poverty alleviation through financial services, while tapping deep into financial services for many years. Following the principles of “pinpointing position accurately, devising differentiated policies for different villages, advancing step by step, and striving for concreted results”, it exploits its financial expertise, and proposes innovative poverty alleviation modes with financial services. Upholding the overall strategy of precision poverty alleviation substantially, it proceeds from actual conditions of different places, rolls out multiple measures, and tries to reduce poverty fundamentally by offering skill trainings and education, expanding the sales of local products and driving the development of industries. In brief, the Bank goes to extraordinary lengths to win the tough battle for precision poverty alleviation.

5.19.1.2 Summary of precision poverty alleviation in 2020

Starting from the poverty alleviation through industry development, the Bank pulled together to fight a tough battle, put in place proper policies, and kept optimizing the long-standing aid mechanism. It helped poverty-stricken villages shake off poverty, and enabled them to lead well-off life on their own. At the same time, the Bank kept pushing forward the standardization of public welfare donations, and organized many 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 like “Dream Chasing Fireflies Initiative” for 1000 Pediatric Staff Training, “Eyes for the World” Program for Children’s Vision Recovery Operation, and “Carefree Plan” for Children’s Healthcare Insurance. To sum up, the Bank took the initiative to assume social responsibilities with a sincere heart, and practiced the tenet of improving the people’s wellbeing with financial forces.

During the reporting period, the Bank implemented 45 precision poverty alleviation projects, and donated anti-poverty funds totaling RMB21,908,200. To be specific, it conducted 39 poverty alleviation programs at designated sites with an input of RMB14,533,600, so as to help the related provinces and cities accomplish their poverty alleviation tasks. Some examples of these projects included the “100 Enterprises Aiding 100 Villages” program, a twining aid initiative in Wenshan City, Yunnan Province, the comprehensive aid program for villages in Jinshan District, Shanghai, and the industry aid program targeted at Sihong County, Jiangsu Province. Besides, the Bank continued three poverty alleviation programs through healthcare with an input of RMB7,173,100. They were the “Dream Chasing Fireflies Initiative” for 1000 Pediatric Staff Training, and the “SPDB Care for Guzhang – Tour of Light” public-spirited program. Furthermore, the Bank carried out three poverty alleviation programs through education, with an input of RMB201,500, and supported the “Hope Project 1+1”. With its charitable efforts, the Bank contributed to the sustainable

development of the Chinese society and economy, and strove to shape itself as a respectable and trustworthy corporate citizen.

5.19.1.3 Precision poverty alleviation projects by the listed company in 2020

In RMB10,000

Indicator	Details
1. Poverty alleviation through education	**20.15**
Funding for poor students	
2. Poverty alleviation through healthcare	**717.31**
Input to improve healthcare resources of poverty-stricken areas	
3. Social poverty alleviation	**1,453.36**
Amount of precision poverty alleviation input	
4. Other projects	
Input	
Total	**2,190.82**

5.19.1.4 Subsequent precision poverty alleviation plan

The Bank resolutely implemented the decisions and plans of the CPC Central Committee, continuously integrated comprehensive poverty alleviation with rural revitalization through consistent efforts in poverty alleviation. It continuously consolidated the achievements of poverty alleviation, prevented reemergence of poverty and new poverty, and promoted the upgrading from poverty alleviation through industry development to industrial revitalization. Focusing on stabilizing farmers' income and reducing poverty, the Bank promoted sustainable rural development, gave full play to the advantages of professional financial services, accelerated the modernization of agriculture and rural areas, and realized the all-round revitalization of rural areas.

5.19.2 Social responsibilities

The Bank released the first corporate social responsibility report in the Chinese banking industry in 2006, and has released such report for 16 consecutive years. The Bank incorporated such responsibilities into the development strategies and plans. Following the tenet, objectives, standards and fields of social responsibilities, it assumed economic responsibilities with innovative thinking, performed social responsibilities with a sincere heart, and undertook environment protection responsibilities in pursuit of low-carbon development. In brief, the Bank made continuous efforts to get the work related to social responsibilities done properly on all fronts. Sticking to the leading role of Party building and bearing the fundamental purpose of finance, the Bank carried out risk management on a solid footing, safeguarded the economic development, gave back to society, fulfilled its

responsibilities for customers, shareholders, employees and the public, and promoted itself and stakeholders towards sustainable development.

In terms of economic responsibilities, it actively served the implementation of many major national strategies such as the coordination of Beijing-Tianjin-Hebei Region, the integrated development of Yangtze River Delta, and the construction of Guangdong-Hong Kong-Macao Greater Bay Area, boosted the mutual-beneficial cooperation under the Belt and Road Initiative, and stepped up the FTZ, cross-border and other financial innovation. It took the initiative to help Shanghai build "five centers" and "four brands", put the strategies related to "three major tasks and one major platform" into operation vigorously, and moved faster to transform towards digital operation, with a view to better serving the real economy and practicing the inclusive finance. As to social responsibilities, the Bank kept coming up with innovative approaches to public welfare practice, managed employee volunteers on a regular, institution-based basis, by conducting the day of volunteer event attended by all employees for 14 consecutive years, fostered a responsibility culture with unique to itself, thus gaining socially responsible competitiveness with its own characteristics. When it came to environmental responsibilities, the Bank vigorously developed low-carbon business, advocated eco-friendly concepts, boosted innovation in green finance, and got itself fully integrated into the national building of pilot zones for green finance reform and innovations.

Social contribution value per share of the Group during the reporting period:

Year	**2020**	2019	2018
Social contribution value per share (in RMB, based on weighted average)	**9.22**	9.22	9.02

Note: Social contribution value per share = earnings per share + (tax amount + employee expenses + interest expenditure + total amount of public welfare input)/weighted average of ordinary shares issued to the public during the reporting period.

5.20 Efforts the Bank Made to Fight against COVID-19

Since the coronavirus outbreak, the Bank has attached high importance to the pandemic control and the economic stimulation. On 22 January 2020, the Bank convened a plenary video conference to make arrangements for pandemic control, recruited an pandemic prevention and control steering group, and responded to the guiding principles and requirements put forth by the central and local governments swiftly. In addition to making vigorous arrangements and taking concrete efforts, it rolled out a host of targeted measures promptly, which produced sound effects.

The Head Office, branches and subsidiaries donated money to help fight the virus. As at the end of the reporting period, the Bank and enterprises invested by the Group donated RMB30.16 million in cash and materials, and the employees donated RMB8.64 million to help Wuhan, purchase anti-pandemic materials for medical institutions and care for medical staff. All these actions demonstrated the Bank's corporate responsibilities and helped build up the image of an excellent corporate citizen.

The Bank saw some results achieved in its transformation towards digital operation over recent years getting fully demonstrated in the fight against the COVID-19 pandemic. In terms of business operation, all personal businesses other than those which have to be handled face to face as required by regulators went online. For customer service, as the first of its

kind realizing the full coverage of intelligent voice services, the Bank rolled out the AI-enabled customer service, a move that saved customer service staff from working together substantially. In terms of marketing, AMA smart marketing robot made its debut. It can launch online marketing activities automatically, thus protecting the delivery of customer service from interruption during the special period of time.

Under this particular circumstance, the Bank adopted special credit policies and service modes to support enterprises in their operation and rendering personal customers with financial services. First, it promptly adjusted some credit policies for corporate customers by optimizing the internal review/approval procedures substantially, and supported enterprises in their development in the bond market vigorously. Second, it provided grace period flexibilities for some personal customers who were short of money or inconvenient to make repayment during the coronavirus outbreak. Third, it made full use of its platform services and functions to fulfill social responsibilities. The SPD Benefit-series reservation registration service went live on the SPD Bank APP, benefiting for more than 150 cities nationwide. The free online diagnosis service was unveiled, and has been used by nearly 4 million person-times.

Besides, the Bank participated in constructing all sorts of financial factor markets vigorously. After the coronavirus outbreak, it served as a market maker in precious metal, commodity, bond, interest rate derivative, foreign exchange, and money markets, and played an active role in maintaining the steady market order.

Section VI Changes of Ordinary Shares and the Shareholders

6.1 Overview of Equity Capital

6.1.1 Changes of ordinary shares

Number of shares

	Before Change		Change		After change	
	Quantity	Percentage (%)	Shares converted from convertible bonds	Lifting of restricted shares	Quantity	Percentage (%)
I. Shares with restricted sale conditions						
1. Shares held by the state	-	-	-	-	-	-
2. Shares held by state-owned legal persons	1,248,316,498	4.25	-	-1,248,316,498	-	-
3.Other domestically held shares	-	-	-	-	-	-
4. Shares held by foreign shareholders	-	-	-	-	-	-
II. Floating shares without restricted sale conditions						
1.RMB ordinary shares	28,103,763,899	95.75	+60,496	+1,248,316,498	29,352,140,893	100.00
2. Others	-	-	-	-	-	-
III. Total ordinary shares	29,352,080,397	100.00	-	-	29,352,140,893	100.00

6.1.2 Changes of restricted shares

As at the end of the reporting period, changes to restricted ordinary shares at the Bank are as follows:

Number of shares

Shareholder name	**Opening number of restricted shares**	Number of restricted ordinary shares lifted in the reporting period	**Closing number of restricted shares**	Reason for restricted sale	**Starting date of circulation**
Shanghai International Group Co., Ltd.	**842,003,367**	842,003,367	**-**	Getting involved in	**4 September 2020**

Shanghai Guoxin Investment Development Co., Ltd.	**406,313,131**	406,313,131	-	the additional private placement, and not available for transfer within 36 months	**4 September 2020**

6.2 Shareholder Information

6.2.1 Total number of shareholders

	Accounts
Total number of ordinary shareholders as at the end of reporting period	**221,395**
Total number of ordinary shareholders as at the end of the month before the annual report disclosure day	**200,882**
Total number of preference shareholders with voting rights recovered as at the end of the reporting period	**0**
Total number of preference shareholders with voting rights recovered as at the end of the month before the annual report disclosure day	**0**

6.2.2 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 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 or frozen shares
Shanghai International Group Co., Ltd.		6,331,322,671	21.57	-	-
China Mobile Communication Group Guangdong Limited		5,334,892,824	18.18	-	-
Funde Sino Life Insurance Co., Ltd. — Conventional		2,779,437,274	9.47	-	-
Funde Sino Life Insurance Co., Ltd. — Capital		1,763,232,325	6.01	-	-

Shanghai Sitico Assets Management Co., Ltd.		1,395,571,025	4.75	-	-
China Securities Finance Corporation Limited		1,307,994,759	4.46	-	-
Funde Sino Life Insurance Co., Ltd. — Universal H		1,270,428,648	4.33	-	-
Shanghai Guoxin Investment Development Co., Ltd.		945,568,990	3.22	-	-
Hong Kong Securities Clearing Company Limited	-12,374,735	492,055,356	1.68	-	-
Central Huijin Asset Management Ltd.		398,521,409	1.36	-	-
Statement on the connected relations or concerted action relations of the aforesaid shareholders	1. Shanghai International Group Co., Ltd. is the controlling company of Shanghai Sitico Assets Management Co., Ltd. and Shanghai Guoxin Investment Development Co., Ltd. 2. Funde Sino Life Insurance Co., Ltd. — Conventional, Funde Sino Life Insurance Co., Ltd. — Capital and Funde Sino Life Insurance Co., Ltd. — Universal H are under the name of the same legal person. 3. Connected relations or concerted action relations of the aforesaid shareholders apart from the situations mentioned above are unknown to the Bank.				

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

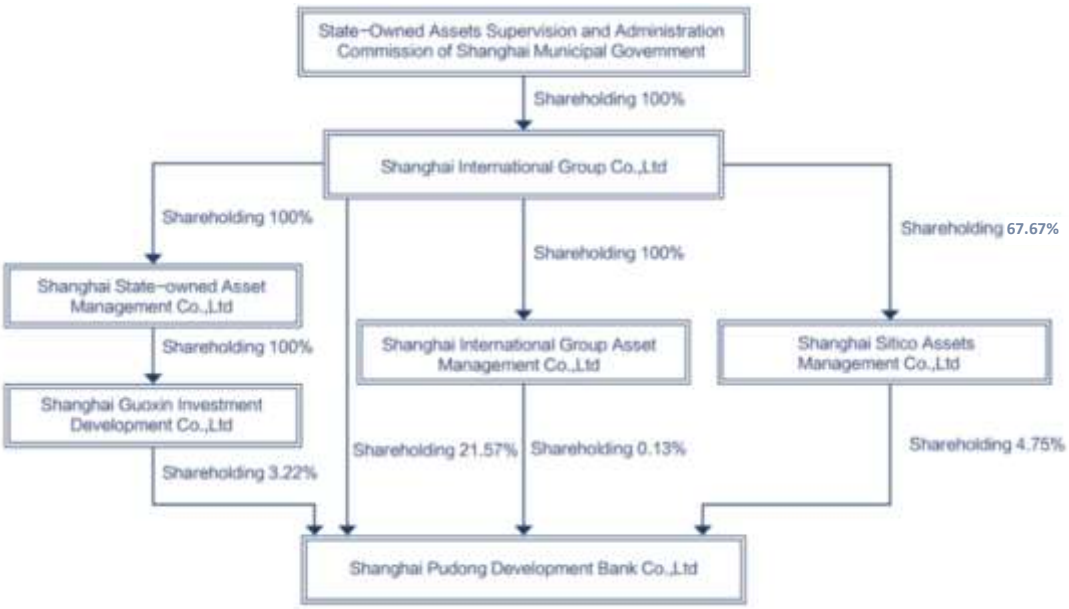
6.2.3 Overview of controlling shareholders and de facto controllers

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 controlling 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 RMB30,000 million. 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.

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



6.2.4 Other legal-person shareholders holding more than 10% shares of the Bank as at the end of the reporting period

1. Funde Sino Life Insurance Co., Ltd., a limited liability company, 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. Business scope includes 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, concurrent-business insurance agency (by virtue of business license), and funds application businesses as approved by the CBIRC.

2. China Mobile Communication Group Guangdong Limited ("Guangdong Mobile"), a limited liability company (sole proprietorship of a foreign-invested enterprise as a legal person), was founded on 13 January 1998 with a registered capital of RMB5,594,840,700. Its registered address is Global Building, No. 11 Zhujiang West Road, Pearl River New City, Tianhe District, Guangzhou, and its legal representative was Wei Ming. Its unified social credit code is 91440000707653099T. Business scope of Guangdong Mobile includes 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; and hotel-related services: provision of accommodation and other commercial services.

Section VII Overview of Preference Shares

7.1 Issuance and Listing of Preference Shares in Recent Three Years as at the End of the Reporting Period

In 10,000 shares

Code of preference share	Abbreviation of preference share	Issuance date	Issuance price (RMB)	Nominal dividend rate (%)	Number of issued shares	Listing date	Trade volume of listing	Date of delisting
360003	SPDB P 1	28 November 2014	100	5.58	15,000	18 December 2014	15,000	-
360008	SPDB P 2	06 March 2015	100	4.81	15,000	26 March 2015	15,000	-

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

(2) SPDB P 2's nominal dividend rate for the first five years is 5.50%, which consists of 3.26% 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. On 11 March 2020, SPDB P 2's nominal dividend rate was adjusted, and that rate for the second five years is 4.81%.

7.2 Overview of Shareholders of Preference Shares

7.2.1 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	34
	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	35
	360008	SPDB P 2	18

7.2.2 Shareholding of the top ten shareholders of preference shares and top ten shareholders of preference shares without sale restriction conditions as at the end of the reporting period

7.2.2.1 SPDB P 1

Number of shares

Shareholder name	Number of shares held at the end of the period	Percentage (%)
CICC — CICC ABC Ruichi No. 1 Collective Asset Management Plan	18,004,545	12.00
BOCOM Schroder Asset Management Co., Ltd.— BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	11,540,000	7.69
Ping An Life Insurance of China — Universal personal insurance	11,470,000	7.65
Ping An Life Insurance of China — Personal insurance bonus	11,470,000	7.65
Ping An Property & Casualty Insurance Company of China Ltd. — Ordinary insurance product	11,470,000	7.65
Maxwealth Fund — Bank of Ningbo Co., Ltd.	11,470,000	7.65
Beijing Tiandi Fangzhong Asset Management — Bank of Nongbo — Bank of Ningbo Co., Ltd.	8,410,000	5.61
Bosera Funds — Flexible Allocation No. 5 Specific Multiple Customer Asset Management Plan	7,645,455	5.10
BOCOM Schroder Asset Management Co., Ltd.— BOCOM Schroder Asset Management Zhuoyuan No. 1 Collective Asset Management Plan	7,600,000	5.07
Taikang Life Insurance Co., Ltd. — Personal insurance bonus — 019L— FH002 Hu	5,770,000	3.85

Statement on whether there is connected relation among the top ten shareholders of preference shares and between the above shareholders and the top ten shareholders of ordinary shares, and whether they are persons acting in concert	1. 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. 2. Connected relations or concerted action relations of the aforesaid shareholders apart from the situations mentioned above are unknown to the Bank.

7.2.2.2 SPDB P 2

Number of shares

Shareholder name	Number of shares held at the end of the period	Percentage (%)
People's Insurance Company of China — Conventional — Ordinary insurance product — 008C — CT001 Hu	34,880,000	23.25
Ping An Life Insurance of China — Personal insurance bonus	20,360,000	13.57
Ping An Life Insurance of China — Self-owned funds	19,500,000	13.00
Ping An Life Insurance of China — Universal personal insurance	19,500,000	13.00
Bank of China Shanghai Branch	10,460,000	6.97
Maxwealth Fund — Bank of Ningbo Co., Ltd.	10,460,000	6.97
Ping An Property & Casualty Insurance Company of China Ltd. — Conventional — Ordinary insurance product	10,460,000	6.97
BOCOM Schroder Asset Management Co., Ltd. — BOCOM — BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	6,970,000	4.65
CITIC Securities — PSBC — CITIC Securities Xingchen No. 28 Collective Asset Management Plan	4,840,000	3.23
Zhonghai Trust Co., Ltd. — Zhonghai Priority Income No. 2 Funds Trust	3,050,840	2.03

Statement on whether there is connected relation among the top ten shareholders of preference shares and between the above shareholders and the top ten shareholders of ordinary shares, and whether they are persons acting in concert	1. 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. — Conventional are persons acting in concert. 2. Connected relations or concerted action relations of the aforesaid shareholders apart from the situations mentioned above are unknown to the Bank.

7.3 Distribution of Dividends on Preference Shares

7.3.1 Distribution of dividends on preference shares during the reporting period

On 29 February 2020, 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 2020, and the ex-dividend date is 10 March 2020. The start date of interest accrual for dividend distribution is 11 March 2020 and the date of dividend distribution is 11 March 2020. Based on the nominal dividend rate 5.50% of SPDB P 2, the cash dividend to be distributed per share would be RMB5.50 (tax inclusive), and the total dividends would be RMB825 million (tax inclusive).

On 19 November 2020, 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 2020, and the ex-dividend date is 2 December 2020. The start date of interest accrual for dividend distribution is 3 December 2020 and the date of dividend distribution is 3 December 2020. 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).

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

In RMB100 millions

Year	Distribution amount of dividends on preference shares	Remarks
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
2018	17.25	Dividend distribution of SPDB P 1 and SPDB P 2

7.4 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.

7.5 Voting Rights on Preference Shares Recovered during the Reporting Period

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

7.6 Adjustments to Nominal Dividend Rates of Preference Share during the Reporting Period

As per the Prospectus of Shanghai Pudong Development Bank Co., Ltd. for Private Issuance of Preference Shares (hereinafter referred to as "the Prospectus"), the 150 million preference shares the Bank issued privately on 11 March 2015 shall apply a nominal dividend yield subject to phase-specific adjustment, i.e., every five years constitutes a dividend rate adjustment period.

SPDB P 2 saw the repricing date of the second dividend rate adjustment period falling on 11 March 2020. The nominal dividend rate is the benchmark interest rate on the repricing date plus the fixed premium determined on the initial pricing date. The benchmark interest rate of the repricing date is 2.57%, that is, the arithmetic mean (rounded to 0.01%) of the five-year government bonds' yield in the yield curve of the ChinaBond interbank fixed rate government bonds published (on www.chinabond.com.cn) by China Central Depository & Clearing Co., Ltd. for 20 trading days before the repricing date (11 March 2020). The fixed premium is 2.24%, as determined on the initial pricing date. Therefore, after the adjustment of the benchmark interest rate on the repricing date, SPDB P 2 in the second dividend rate adjustment period carries the benchmark interest rate of 2.57%, the fixed premium of 2.24%, and the nominal dividend rate of 4.81%. The interest date fell on 11 March 2020 and the interest shall be paid annually.

Section VIII Convertible Corporate Bonds

8.1 Overview

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 above mentioned A share convertible bonds were listed on SSE (stock name: SPDB Convertible Bond, stock code: 110059). The converted shares are referred to as "SPDB Converted Shares" with the stock code of 190059.

8.2 Convertible Bond Holders and Guarantors during the Reporting Period

Number of convertible bond holders as at the end of reporting period		68,271
Guarantor of convertible bonds of the Bank		None
Top ten convertible bond holders	Nominal value of bonds held at the end of reporting period	Percentage of bonds held (%)
China Mobile Communication Group Guangdong Limited	9,085,323,000	18.17
Shanghai International Group Co., Ltd.	3,284,968,000	6.57
SAIC Finance Co., Ltd.	1,064,967,000	2.13
Shanghai Sitico Assets Management Co., Ltd.	560,857,000	1.12
China Merchants Bank Co., Ltd. — Hongde Zhiyuan Hybrid Securities Investment Fund	546,991,000	1.09
Shanghai Guoxin Investment Development Co., Ltd.	500,000,000	1.00
Generali China Life Insurance Co., Ltd. — Traditional product	330,814,000	0.66
Bank of China Limited	268,186,000	0.54
Bank of China Limited — Bosera Macro Return Bond Securities Investment Fund	265,291,000	0.53
Aeon Life Insurance Company, Ltd. — Insurance bonus	241,749,000	0.48

8.3 Changes in Convertible Bonds during the Reporting Period

As at 31 December 2020, a total of RMB901,000 of SPDB Convertible Bonds had been converted into ordinary shares of the Bank, and the cumulative number of converted shares was 60,496, accounting for 0.0002% 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 RMB49,999,099,000, accounting for 99.9982% of the total amount of SPDB Convertible Bonds issued.

8.4. Previous Adjustments of Conversion Price

The Bank distributed profit for ordinary A shares for 2019 on 23 July 2020. Pursuant to the Prospectus of Shanghai Pudong Development Bank Co., Ltd for Public Issuance of Convertible Corporate Bonds as well as the 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 Bonds was adjusted from RMB15.05 per share to RMB14.45 per share as of 23 July 2020 (ex-dividend date).

The adjustments to conversion prices are as follows:

Date of conversion price adjustment	Conversion price after adjustment	Disclosure date	Disclosed on	Notes on conversion price adjustment
RMB15.05 per share	RMB14.45 per share	16 July 2020	China Securities Journal, Shanghai Securities News, Securities Times, SSE website, the Bank's website	Adjusted due to profit distribution for ordinary shares for 2019
Latest conversion price as at the end of the reporting period		RMB14.45 per share		

8.5 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.

Section IX Directors, Supervisors, Senior Management Members, Employees, Branches and Outlets

9.1 Basic Information on Directors, Supervisors and Senior Management Members

9.1.1 Incumbent Directors, Supervisors, Senior Executives as at the end of the reporting period

Name	Position	Gender	Year of birth	Tenure	Number of shares newly bought in the reporting period (in 10,000)	Number of shares held as at the end of the reporting period (in 10,000)	Remuneration received from the Bank (before-tax) during the reporting period (in RMB10,000)
Zheng Yang	Party Committee Secretary, Chairman, Executive Director	Male	1966	16 December 2019 – the end of tenure			79.86
Pan Weidong	Deputy Party Committee Secretary, Vice Chairman, Executive Director, President	Male	1966	16 December 2019 – the end of tenure	8.00	20.00	108.97
Chen Zheng'an	Deputy Party Committee Secretary, Executive Director	Male	1963	16 December 2019 – the end of tenure			86.30
Liu Yiyan	Executive Director, Vice President, CRO	Male	1964	16 December 2019 – the end of tenure	7.39	17.74	93.37
Guan Wei	Non-executive Director	Female	1971	16 December 2019 – the end of tenure			
Wang Hongmei	Non-executive Director	Female	1961	16 December 2019 – the end of tenure			
Zhang Dong	Non-executive Director	Male	1969	16 December 2019 – the end of tenure			
Wang Zhe	Independent Director	Male	1960	16 December 2019 – the end of tenure			31.00
Zhang Ming	Independent Director	Male	1958	16 December 2019 – the end of tenure			28.00
Yuan Zhigang	Independent Director	Male	1958	16 December 2019 – the end of tenure			31.00
Henry Cai	Independent Director	Male	1954	16 December 2019 – the end of tenure			26.00
Wu Hong	Independent Director	Male	1956	16 December 2019 – the end of tenure			0
Liu Xinyi	Director to be Appointed	Male	1965	16 December 2019 – the end of tenure	5.60	21.60	
Dong Guilin	Director to be Appointed	Male	1963	30 December 2020 – the end of tenure			
Wang Jianping	Chairman of the Board of Supervisors, External	Male	1960	30 December 2020 – the end of tenure			

	Supervisor						
Sun Wei	Shareholder Supervisor	Male	1970	16 December 2019 – the end of tenure			
Cao Yijian	Shareholder Supervisor	Male	1976	16 December 2019 – the end of tenure			
Li Qingfeng	Shareholder Supervisor	Male	1971	16 December 2019 – the end of tenure			
Wu Jian	External Supervisor	Male	1968	16 December 2019 – the end of tenure			28.00
Wang Yuetang	External Supervisor	Male	1963	16 December 2019 – the end of tenure			28.00
Li Guangming	Employee Supervisor	Male	1963	29 December 2020 – the end of tenure			350.67
Zhang Baoquan	Employee Supervisor	Male	1965	29 December 2020 – the end of tenure			428.59
He Weihai	Employee Supervisor	Male	1967	16 December 2019 – the end of tenure			428.59
Jiang Fangping	Head of Discipline Inspection and Supervision Office at SPD Bank	Male	1966	Since August 2019			71.86
Wang Xinhao	Vice President, CFO	Male	1967	16 December 2019 – the end of tenure	6.00	17.10	90.88
Cui Bingwen	Vice President, Chief Legal Advisor	Male	1969	16 December 2019 – the end of tenure	4.90	14.87	85.68
Xie Wei	Vice President, Secretary to the Board of Directors	Male	1971	16 December 2019 – the end of tenure	5.20	15.80	90.88

Notes:

(1) In July 2020, the Bank received the Reply of the CBIRC on the Qualifications of Ms. Wang Hongmei and Mr. Zhang Dong of Shanghai Pudong Development Bank (Y.B.J.F. [2020] No. 417), and the CBIRC approved the qualifications of Ms. Wang Hongmei and Mr. Zhang Dong for Directors of the Bank. The above directors started to perform their duties after their qualifications were approved by the CBIRC.

(2) In August 2020, the Bank received the Reply of the CBIRC on the Qualifications of Mr. Chen Zheng'an and Mr. Liu Yiyan of Shanghai Pudong Development Bank (Y.B.J.F. [2020] No. 514), and the CBIRC approved the qualifications of Mr. Chen Zheng'an and Mr. Liu Yiyan for Executive Directors of the Bank. The above directors started to perform their duties after their qualifications were approved by the CBIRC.

(3) In December 2020, the Bank received the Reply of the CBIRC on the Qualifications of Mr. Wu Hong of Shanghai Pudong Development Bank (Y.B.J.F. [2020] No. 888), and the CBIRC approved the qualifications of Mr. Wu Hong for Independent Director of the Bank. Mr. Wu Hong started to perform his duties after his qualifications were approved by the CBIRC.

(4) In December 2020, the 2020 First Extraordinary Shareholders' Meeting of the Bank elected Mr. Dong Guilin as Director of the Bank, and his tenure is the same as that of the Seventh Board of Directors. Mr. Dong Guilin started to perform his duties after his qualifications were approved by the regulatory authority.

(5) According to regulatory requirements, the application for qualifications of directors to be appointed of the Bank and the off-office audit of some directors to be appointed of the Bank are being handled, and they will start to perform their duties after their qualifications are approved by the CBIRC.

(6) On 29 December 2020, the First Meeting of the Third Employee Representative Assembly of the Bank elected Mr. Li Guangming and Mr. Zhang Baoquan as Employee Supervisors of the Seventh Board of Supervisors of the Bank, and their tenures are the same as that of the Seventh Board of Supervisors.

(7) On 30 December 2020, the 2020 First Extraordinary Shareholders' Meeting of the Bank elected Mr. Wang Jianping as Supervisor of the Bank, with the same tenure as that of the Seventh Board of Supervisors.

9.1.2 Directors, Supervisors and Senior Management members leaving office

Name	Position	Gender	Year of birth	Tenure	Remuneration received from the Bank (before-tax) during the reporting period (in RMB10,000)
Liu Peifeng	Former Non-executive Director	Male	1969	16 December 2019 – 14 December 2020	
Sun Jianping	Former Chairman of the Board of Supervisors	Male	1957	16 December 2019 – 29 June 2020	
Zhang Yilin	Former Employee Supervisor	Male	1960	16 December 2019 – 15 September 2020	374.11
Wu Guoyuan	Former Employee Supervisor	Male	1961	16 December 2019 – 29 December 2020	380.40
Xu Haiyan	Former Vice President	Female	1960	16 December 2019 – 13 May 2020	44.60

Notes:

(1) On 13 May, 2020, the Bank received a resignation letter from Vice President Ms. Xu Haiyan. Due to retirement, Ms. Xu Haiyan submitted her resignation from the position of Vice President. According to the Articles of Association of the Bank, the resignation letter shall take effect as of the date when it is received by the Board of Directors of the Bank.

(2) On 29 June 2020, the Bank received a resignation letter from Chairman of the Board of Supervisors Mr. Sun Jianping. Due to retirement, Mr. Sun Jianping submitted his resignation from the positions of Chairman of the Board of Supervisors, member of the Nomination Committee and member of the Supervision Committee of the Board of Supervisors. According to the Articles of Association of the Bank, the resignation letter shall take effect as of the date when it is received by the Board of Directors of the Bank.

(3) On 15 September 2020, the Bank received a resignation letter from Employee Supervisor Mr. Zhang Yilin. Due to retirement, Mr. Zhang Yilin submitted his resignation from the positions of Supervisor and member of the Supervision Committee of the Board of Supervisors. According to the Articles of Association of the Bank, the resignation letter shall take effect as of the date when it is received by the Board of Directors of the Bank.

(4) On 14 December 2020, the Bank received a resignation letter from Director Mr. Liu Peifeng. Due to change of job, Mr. Liu Peifeng submitted his resignation from the positions of Director and member of the Strategy Committee (Inclusive Finance Development Committee) of 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 is received by the Board of Directors of the Bank.

(5) On 29 December 2020, the Bank received a resignation letter from Employee Supervisor Mr. Wu Guoyuan. Due to the reason of age, Mr. Wu Guoyuan submitted his resignation from the positions of

Supervisor and member of the Nomination Committee of the Board of Supervisors. According to the Articles of Association of the Bank, the resignation letter shall take effect as of the date when it is received by the Board of Directors of the Bank.

9.1.3 Remuneration received by Directors, Supervisors and Senior Management members after the assessment and confirmation by competent agencies in 2019

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	Aug.-Dec. 2019	47.53	7.33	0.00	54.86
Pan Weidong	Deputy Party Committee Secretary, Vice Chairman, Executive Director, President	Jan.-Dec. 2019	237.02	21.88	0.00	258.90
Chen Zheng'an	Deputy Party Committee Secretary, Executive Director	Jan.-Dec. 2019	102.66	17.11	0.00	119.77
Liu Yiyan	Executive Director, Vice President, CRO	Jan.-Dec. 2019	221	21.41	0.00	242.41
Wu Guoyuan	Former Employee Supervisor	Jan.-Dec. 2019	367.91	20.81	0.00	388.72
Zhang Yilin	Former Employee Supervisor	Jan.-Dec. 2019	473.30	19.57	0.00	492.87
He Weihai	Employee Supervisor	Jan.-Dec. 2019	445.67	19.49	0.00	465.16
Jiang Fangping	Head of Discipline Inspection and Supervision Office at SPD Bank	Aug.-Dec. 2019	42.76	7.16	0.00	49.92
Wang Xinhao	Vice President, CFO	Jan.-Dec. 2019	221	21.41	0.00	242.41
Cui Bingwen	Vice President, Chief Legal Advisor	Jan.-Dec. 2019	208	16.22	0.00	224.22
Xie Wei	Vice President	Jan.-Dec. 2019	221	21.41	0.00	242.41
Gao Guofu	Former Chairman	Jan.-Nov. 2019	104.56	16.05	0.00	120.61
Liu Xinyi	Former Vice Chairman, President	Jan.-Nov. 2019	238.32	20.90	0.00	259.22
Xu	Former Vice President	Jan.-Dec. 2019	208	20.93	0.00	228.93

9.1.4 Main work experience and service information of Directors, Supervisors and Senior Management members

9.1.4.1 Directors

Zheng Yang, male, born in 1966, has a Doctorate degree, and is a Senior Economist. He previously served as 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, Sate Administration of Foreign Exchange (SAFE), Party Committee Member and Deputy General Manager of PBC Shanghai Branch and 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 Shimen Er Lu of Shanghai Jing'an District, Party Leadership Group Secretary and Director of Shanghai Jing'an Real Estate Bureau, deputy district governer, 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 Secretary and Executive Director of SPD Bank and President of SPDB University.

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 Head of the Risk Department at the Head Office of SPD Bank. He currently works as Party Committee Member, Executive Director, Vice President, and CRO of SPD Bank.

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.

Wang Hongmei, female, born in 1961, has a Doctorate degree, and is a Professor-level Senior Engineer. She previously served as Deputy Director of the Economic and Technological Development Research Center at the former Ministry of Posts and Telecommunications, General Manager of the Development Strategy Department and Director of the Reform Office at China Mobile Communications Group Co., Ltd., and Secretary General of China Mobile Charity Foundation. She currently works as Senior Manager of the Development Strategy Department (General Manager Level) at China Mobile Communications Group Co., Ltd. and Director of China Mobile Equity Fund Management Co., Ltd.

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

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., and Director of Wuxi Zhenhua Auto Parts 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, Independent Director of JIC Trust Co., Ltd., 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., and Independent Director of China COSCO Shipping Corporation Limited.

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, Independent Director of Orient Securities Co., Ltd., and Independent Director of Western Leadbank FMC.

9.1.4.2 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 at Shanghai Jiushi Real Estate Co., Ltd., Deputy General Manager of the Investment Development Department of Shanghai Jiushi Corporation Co., Ltd., and Deputy General Manager of the Investment Development Department at Shanghai Jiushi (Group) Co., Ltd. He currently works as General Manager of the Investment Development Department at Shanghai Jiushi (Group) Co., Ltd.

Li Qingfeng, male, born in 1971, has a Master's degree. He previously served as General Manager of Shanghai Jiuheng Futures Brokerage Limited, and Chief Economist, Deputy General Manager and Deputy Secretary of General Party Branch of Shanghai Jiulian Group

Limited. He currently works as Party Committee Secretary and Chairman of Shanghai Jiulian Group Limited and 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 Pramerica Fosun Life Insurance Co., Ltd., Independent Director of ORG Technology Co., Ltd., Director of INESA (Group) Co., Ltd., and Director of YEIG (Shanghai) Energy Development Co., Ltd. Besides, he is also a Deputy to the 15th Shanghai Municipal People's Congress.

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

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, Director of the Party Committee Office, Director of the Publicity Department of the Party Committee, Director of the General Office, 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, and Party Committee Secretary and General Manager of SPD Bank Hangzhou Branch. He currently works as Party Committee Secretary and General Manager of SPD Bank Nanjing Branch.

9.1.4.3 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, Party Committee Secretary and Chairman of SPDB Financial Leasing Co., Ltd., 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.

9.2 Overview of Service in the Shareholders

Name	Name of shareholder	Current position
Liu Xinyi	Shanghai International Group Co., Ltd.	Deputy Party Committee Secretary, Director, President
Guan Wei	Shanghai International Group Co., Ltd.	Vice President, CFO
Wang Hongmei	China Mobile Communications Group Co., Ltd.	Senior Manager of Development Strategy Department (General Manager Level)
Zhang Dong	China Mobile Communications Group Co., Ltd.	General Manger of Marketing Department
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
Li Qingfeng	Shanghai Jiulian Group Limited	Party Committee Secretary, Chairman

9.3 Overview of Service in Other Entities

Name	Name of entity	Current position
Wang Zhe	Association of Shanghai Internet	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, Doctorate Supervisor and Senior Researcher of School of Accountancy
	Shanghai Business Accounting Society	Vice President
	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
Yuan Zhigang	Fudan University	Professor, Doctoral Supervisor of School of Economics, Fudan University
	East China Normal University	Director of the Academic Council of the Faculty of Economics and Management
	JIC Trust Co., Ltd.	Independent Director
	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
Wu Hong	Shanghai Pudong Development Group Finance Co., Ltd.	Independent Director
	Zhejiang Tailong Commercial Bank	Independent Director
	Orient Securities Co., Ltd.	Independent Director
	Western Leadbank FMC	Independent Director
Sun Wei	Shanghai Bailian Li'an Foods Co., Ltd.	Chairman
	Shanghai Baiji Foods Co., Ltd.	Chairman
	Shanghai No. 1 Pharmacy Co., Ltd.	Vice Chairman
	Shanghai Industrial Development Co., Ltd.	Vice Chairman
Cao Yijian	Shanghai Public Transportation Card Company Limited	Director
	Shanghai Jiushi Investment Co., Ltd.	Executive Director
	Haitong Securities Co., Ltd.	Supervisor
Li Qingfeng	Shanghai Petroleum Exchange Ltd.	General Manager
Wu Jian	Duan & Duan	Board Chairman, Chairman of Joint Conference

	Pramerica Fosun Life Insurance Co., Ltd.	Independent Director
	ORG Technology Co., Ltd.	Independent Director
	INESA (Group) Co., Ltd.	Director
	YEIG (Shanghai) Energy Development Co., Ltd.	Director
Wang Yuetang	Nanjing University	Dean, Professor in Accounting of Business School
	Jiangsu Guoxin Investment Group	External Supervisor
	Holly Futures Co., Ltd.	Independent Director
	Nanjing Central Emporium (Group) Stocks Co., Ltd.	Independent Director

9.4 Remuneration of Directors, Supervisors and Senior Management Members

Decision-making procedure for remunerations for Directors, Supervisors, and Senior Management members	Remunerations for Directors, Supervisors, and Senior Management members 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.
Basis for remunerations for Directors, Supervisors and Senior Management members	Directors, Supervisors, Senior Management members as leaders in state-owned enterprises will be included in the corresponding remuneration management system, and their remunerations will be appraised and decided by the competent department based on the assessment results. Other staff will be subject to the remuneration distribution plan of the Bank as approved by the Board of Directors and its Nomination and Remuneration Appraisal Committee.
Remunerations payable to Directors, Supervisors and Senior Management members	The appraisal for Directors, Supervisors and Senior Management members receiving remunerations has not completed, so the remunerations during the reporting period are not the remunerations to be distributed as approved in the appraisal.
Total remunerations 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 remunerations for Directors, Supervisors and Senior Management members is under confirmation, and the total remunerations paid by the Bank at present is RMB27.1476 million (before-tax).

9.5 Information on Employees of the Parent Company and Main Subsidiaries

9.5.1 Information on employees

Person

Total in-service employees of the parent company	59,051
Total in-service employees of main subsidiaries	2,635
Total in-service employees	61,686
Retired employees in the parent company and main subsidiaries	1,523
Incl.: Disciplines of employees of the parent company	

Senior Management members	321
Banking staff	52,871
Technical staff	5,859
Incl.: Education level of employees in the parent company	
Junior college and vocational school	9,336
Bachelor's degree	38,321
Master's degree and Doctorate degree	11,484

9.5.2 Remuneration policy

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. The Bank intensified accountability management and effectively exerted the effect of restraining risks with deferred remuneration payment.

9.6 Level-to-level Administration of the Bank, and the Quantity and Regional Distribution of Branches at All Levels

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, the Bank successively established branches and sub-branches in medium and large cities, and important central cities in coastal areas, the northeast, the central and west areas. As at the end of the reporting period, the Bank had a total of 1,640 branches and sub-branches, which are shown in detail in the following table:

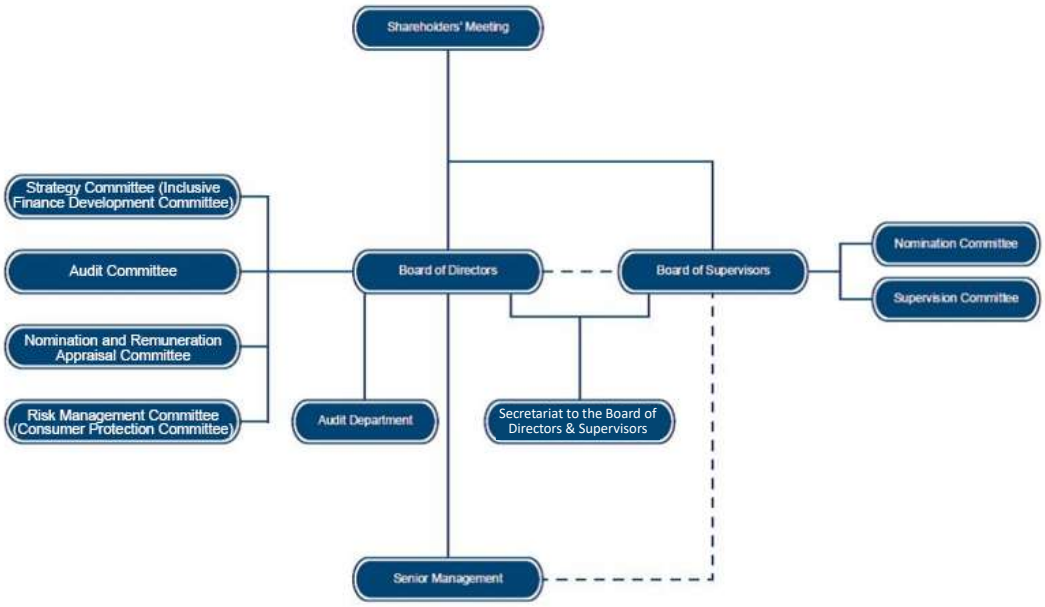
Region	Institution name	Address	Number of employees (Person)	Total assets (RMB1 million)	Number of organs under its jurisdiction
Head Office	Head Office	No. 12, Zhongshan Dongyi Road, Shanghai	8,452	3,741,913	1,639
	Credit Card Center	SPD Bank Building, No. 588 Pudong South Road, Shanghai	11,672	362,211	-
	Sub-total		20,124	4,104,124	1,639
Yangtze River Delta Region	Shanghai Branch	No. 588 Pudong South Road, Shanghai	4,394	1,030,137	185
	Hangzhou Branch	No. 129 Yan'an Road, Hangzhou	2,712	382,699	101
	Ningbo Branch	No. 21 Jiangxia Street, Ningbo	1,287	117,789	40
	Nanjing Branch	No. 90, Zhongshan East Road, Nanjing	2,991	374,424	110
	Hefei Branch	No. 2608 Hangzhou Road, Binhu New Area, Hefei	1,087	102,461	38
	Suzhou Branch	No. 718, Zhongyuan Road, Industrial Park, Suzhou	892	110,657	31
	Shanghai Free Trade Zone Branch	Floor 22, SPD Bank Building, No. 588 Pudong South Road, Shanghai	38	73,783	-

Region	Institution name	Address	Number of employees (Person)	Total assets (RMB1 million)	Number of organs under its jurisdiction
	Sub-total		13,401	2,191,950	505
Pearl River Delta and West Side of Taiwan Strait	Guangzhou Branch	No. 12, Zhujiang West Road, Tianhe District, Guangzhou	2,080	248,308	69
	Shenzhen Branch	No. 333, Liyuan Road, Sun'gang Sub-district, Luohu District, Shenzhen	1,611	317,223	45
	Fuzhou Branch	No. 222, Hudong Road, Fuzhou	728	54,222	58
	Xiamen Branch	No. 666-1 Xiahe Road, Xiamen	273	15,905	15
	Sub-total		4,692	635,658	187
Bohai Rim	Beijing Branch	No. 18, Taipingqiao Avenue, Xicheng District, Beijing	1,928	510,277	77
	Tianjin Branch	Block D, No. 9+ Binshui Avenue, Hexi District, Tianjin	1,237	177,296	36
	Ji'nan Branch	No. 139, Heihuquan West Road, Ji'nan	1,284	72,477	62
	Qingdao Branch	No. 188 Haier Road, Laoshan District, Qingdao	821	77,133	31
	Shijiazhuang Branch	101 Fangbei Shopping Mall, No. 133 Yuhua East Road, Chang'an District, Shijiazhuang	753	62,548	31
	Sub-total		6,023	899,731	237
Central China	Zhengzhou Branch	No. 299, Jinshui Road, Zhengzhou	1,904	246,651	90
	Wuhan Branch	No. 218 Xinhua Road, Jianghan District, Wuhan	939	80,660	42
	Taiyuan Branch	No. 5, Qingnian Road, Taiyuan	886	79,478	54
	Changsha Branch	No. 102, Chazishan East Road, Binjiang New Town, Changsha	960	87,746	51
	Nanchang Branch	No. 1402, Hongguzhong Avenue, Nanchang	670	63,304	33
	Haikou Branch	No. 26, Yusha Road, Haikou	183	8,968	6
	Sub-total		5,542	566,807	276
Western China	Chongqing Branch	No. 78, Star Avenue, High-tech Park, Northern New District, Chongqing	694	91,370	24
	Kunming Branch	No. 156, Dongfeng West Road, Kunming	709	56,905	36
	Chengdu Branch	No. 22 East II Section, 2nd Ring Road, Chenghua District, Chengdu	711	71,688	22
	Xi'an Branch	No. 6 Jinye Road, High-tech Zone, Xi'an	1,057	109,980	49
	Nanning Branch	No. 22, Jinpu Road, Nanning	574	86,838	22
	Urumqi Branch	No. 379, Xinhua South Road, Urumqi	462	31,420	19
	Hohhot Branch	Block B Dongfang Junzuo, No. 18 Chilechuan Street, Saihan District, Hohhot	571	32,050	26
	Lanzhou Branch	No. 101, Guangchang South Road, Lanzhou	483	35,128	29
	Guiyang Branch	East Tower 4, Eastern Zone, Financial Business District, Part B of Zhongtian Exhibition Town, Guanshanhu District, Guiyang	362	37,899	17
	Xining Branch	Yanan Building, 1-7 No. 1 Weibo Lane, Chengxi District, Xining	222	8,970	7

Region	Institution name	Address	Number of employees (Person)	Total assets (RMB1 million)	Number of organs under its jurisdiction
	Yinchuan Branch	No. 51, Xinhua East Street, Xingqing District, Yinchuan	177	6,250	5
	Lhasa Branch	No. 1 Commerce Building, No. 48 Beijingzhong Road, Chengguan District, Lhasa	123	5,226	1
	Sub-total		6,145	573,724	257
North-eastern China	Dalian Branch	No. 45, Huizhan Road, Shahekou District, Dalian	897	88,039	55
	Shenyang Branch	No. 326 Fengtian Street, Shenhe District, Shenyang	689	49,001	27
	Harbin Branch	No. 226, Hongqi Street, Nangang District, Harbin	682	51,008	32
	Changchun Branch	No. 3518, Renmin Street, Changchun	483	40,894	23
	Sub-total		2,751	228,942	137
Overseas	Hong Kong Branch	Floor 30, SPD Bank Tower, No. 1, Hennessy Road, Hong Kong	253	167,356	-
	Singapore Branch	12 Marina Boulevard, #34-01, MBFC Tower 3, Singapore	80	24,745	-
	London Branch	19th floor, 1 Angel Court London, EC2R 7HJ	40	10,403	-
	Sub-total		373	202,504	-
Aggregate adjustment				-1,605,148	40
Total			59,051	7,798,292	1,639

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

Section X Corporate Governance



10.1 Basic Situation of Corporate Governance

During the reporting period, the Bank further improved the corporate governance structure, learned from mature international corporate governance experience, tried to build a reasonable equity structure, and defined the responsibility boundaries of all entities of the corporate governance to realize the equalization and maximization of interests of all stakeholders, thus protecting interests of the depositors, winning returns for shareholders, creating values to society, and striving to build itself into a modern financial service provider with adequate capital, strict internal control, safe operation, good benefits and core competitive edge.

On 19 June 2020, the Shareholders' Meeting adopted the Proposal on Revision of the Articles of Association, which further normalized the corporate governance practice and equity management of the Bank according to the governance standards and requirements for listed companies. The revision of the Articles of Association was approved by the CBIRC.

10.1.1 Shareholders and Shareholders' Meeting

The Bank convoked and convened shareholders' meetings according to provisions in the Articles of Association of the Bank and the Procedural Rules for Shareholders' Meeting. In 2020, the Bank held two shareholders' meetings, passed 12 resolutions, and listened to three reports, ensuring that shareholders had rights to know, participate in and vote for major matters of the Bank, and that all shareholders enjoyed equal status and all shareholders could fully exercise their own rights.

10.1.2 Directors and 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 16 meetings, including seven onsite meetings and nine meetings via

communication means. On these meetings, 76 resolutions were passed and 37 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 Committee (Consumer Protection Committee). The four special committees convened 24 meetings. Of these, the Strategy Committee (Inclusive Finance Development Committee) held six meetings, the Audit Committee held five meetings, the Nomination and Remuneration Appraisal Committee held three meetings, and the Risk Management Committee (Consumer Protection Committee) held ten meetings. A total of 68 resolutions were made and eight reports were heard on 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, 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.

10.1.3 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 held 15 meetings, at which 95 proposals were reviewed and approved and 24 reports were reviewed. 124 out of the 125 Supervisors attended the meeting in person, with an attendance rate of 99.2%. The Board of Supervisors has two special committees, namely, the Nomination Committee and the Supervision Committee. During the reporting period, the Nomination Committee held three meetings and the Supervision Committee held seven meetings. A total of 29 proposals were reviewed and two reports were heard. The Board of Supervisors and its special committees focused on the duty performance of Directors and Senior Management members, strategic planning and its implementation, capital management, financial report, annual profit distribution plan, comprehensive risk management, write-off of asset losses, internal control and compliance, remuneration management, internal audit and other major operation and management matters. The Supervisors were diligent and devoted to their work, leveraged their professional strengths, earnestly performed their supervisory duties and put forward opinions and suggestions.

10.1.4 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 of the Bank observed the principle of good faith and prudently and diligently exercised its duties within its range of authority. In 2020, the Bank implemented the decisions and plans made by the CPC Central Committee and the State Council as well as regulatory requirements, and closely followed tasks to ensure stability on six key fronts and maintain security in six key areas. Through concerted efforts, the Bank worked hard to overcome the difficulties and advance pandemic prevention and control and business development in a coordinated way. It fulfilled the objectives of the three-year action plan in advance in terms of asset size, operating income and other major indicators of the Group, and continuously improved its industrial position and social influence. The Bank's Senior Management has established the Asset and Liabilities Management Committee, the Risk Control Committee and the Information Technology Management Committee under it.

10.1.5 Information disclosure and transparency

The Bank truly, accurately, completely and timely disclosed relevant information in strict accordance with laws, regulations, the Articles of Association of the Bank and information disclosure rules of the Bank, and ensured that all shareholders have equal opportunity to acquire such information. During the reporting period, the Bank completed four times of disclosure by periodic report, 84 times of disclosure by temporary announcement, and made timely announcements on resolutions passed by the Board of Directors, Board of Supervisors and Senior Management of the Bank and major matters such as the implementation of profit distribution. On 22 January 2020, the Bank disclosed 2019 Preliminary Earnings Estimate, which helped shareholders understand the operation and financial position of the Bank on a timely basis. This is the 15th consecutive year for the Bank to disclose the Preliminary Earnings Estimate in the first month of a year.

10.2 Brief Introduction to Shareholders' Meeting

During the reporting period, the Bank held one annual general meeting and one extraordinary shareholders' meeting.

Number of session	Date	Query index of the website designated for publishing the resolutions	Disclosure date for publishing the resolutions
2019 Annual General Meeting	19 June 2020	http://www.sse.com.cn	20 June 2020
First Extraordinary Shareholders' Meeting in 2020	30 December 2020		31 December 2020

10.3 Performance of Duties by Directors

10.3.1 Attendance of Directors at Board meetings

Director name	Independent Director Y/N	Overview of attendance at Board meetings						
		Number of required attendance times at board's meetings	Number of attendance times in person	Number of attendance times via communication means	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	16	16	9	0	0	No	2
Pan Weidong	No	16	16	9	0	0	No	2
ChenZheng'an	No	6	5	3	1	0	No	2
Liu Yiyan	No	6	5	3	1	0	No	2
Guan Wei	No	16	16	9	0	0	No	2
Wang Hongmei	No	7	7	4	0	0	No	2
Zhang Dong	No	7	6	4	1	0	No	2
Wang Zhe	Yes	16	15	9	1	0	No	2
Zhang Ming	Yes	16	16	9	0	0	No	2
Yuan Zhigang	Yes	16	16	9	0	0	No	2
Henry Cai	Yes	16	15	9	1	0	No	2
Wu Hong	Yes	1	1	1	0	0	No	1

Number of Board meetings held in the year	16
Incl.: Number of onsite meetings	7
Number of meetings held via communication means	9
Number of meetings held onsite with attendance via communication means	0

10.3.2 Objection raised by Independent Directors against relevant matters of the Bank

During the reporting period, the Independent Directors of the Bank did not raise objection against any proposal on Board meetings in the year.

10.3.3 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 Committee (Consumer Protection Committee), the Nomination and Remuneration Appraisal Committee, and the Audit Committee were all chaired by Independent Directors. In 2020, the Board of Directors held 16 meetings, and the rate of attendance of Independent Directors in person exceeded 98%. The special committees of the Board of Directors held 24 meetings, and Independent Directors actively attended meetings of the special committees, who played a great role. During the reporting period, one Independent Directors' Meeting was held, with one resolution passed, and the Independent Directors expressed 14 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.

10.3.4 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 31 December 2020, the Group's external guarantee business was approved by the PBC and 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 of normal off-balance sheet business, and the condition of off-balance-sheet liabilities is as follows:

In RMB millions

Item	End of the reporting period	End of last year
Bank's acceptance draft	**553,527**	473,598
Letters of credit issued	**176,517**	162,473
Letters of guarantee issued	**112,564**	88,940
Credit card and loan commitments	**525,923**	457,683

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.

10.4 Duty Performance of the Special Committees of the Board of Directors

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

10.4.1 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, Ms. Wang Hongmei, and Mr. Yuan Zhigang.

During the reporting period, the Strategy Committee (Inclusive Finance Development Committee) held six meetings, at which it reviewed 19 proposals including the Working Rules of the Strategy Committee (Inclusive Finance Development Committee) of the Board of Directors, the Proposal on the Development Plan for Sub-branch-level Institutions in 2020, the Proposal on the Three-year Action Plan, the Proposal on the Equity Disposal of Investee Enterprises, the Proposal on Asset and Liability Management Policy for 2020, the 2019 Corporate Social Responsibility Report, the Report on Deposit and Use of Raised Funds in

2019, the Proposal on Investment in National Green Development Fund, the Proposal on Revisions to the Articles of Association and the Proposal on the Establishment of A Financial Asset Investment Company Limited. Besides, it also reviewed the Analysis Report on Strategy Implementation in the First Half of 2020.

10.4.2 Nomination and Remuneration Appraisal Committee

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

During the reporting period, the Nomination and Remuneration Appraisal Committee held three meetings, at which it considered a total of 8 proposals, including the Proposal on Nominating Director Candidates, the Proposal on Appointing the Chief Legal Advisor, the Proposal on the Appraisal of Duty Performance by Senior Management Members (Professional Managers) in 2019 and the Proposal on Remuneration of Senior Management Members in 2019.

10.4.3 Risk Management Committee (Consumer Protection Committee)

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

During the reporting period, the Risk Management Committee (Consumer Protection Committee) convened ten meetings, at which it considered 28 proposals which included the Proposal on Write-off of Asset Losses, the Proposal on Authorization for the Write-off of Asset Losses in 2020, the Proposal on Comprehensive Credit Extension to Major Investee Enterprises in 2020, the Proposal on Determining Related Parties in 2020, the Proposal on Amendments to the Anti-money Laundering Management Measures, the Proposal on the Working Rules for Chief Risk Officer and the Proposal on the Working Rules for Chief Legal Advisor. Besides, it also heard the Report on the Review of the Rectification of Market Chaos in 2020.

10.4.4 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 five meetings, at which it considered 13 proposals which included the Proposal on the 2019 Annual Report and Its Abstract, the Proposal on the 2019 Final Accounts and 2020 Financial Budget, the Proposal on 2019 Profit Distribution, the Proposal on the 2019 Internal Control Assessment Report, the Proposal on 2020 Q1 Report, the Proposal on 2020 Interim Report and Its Abstract, the Proposal on 2020 Q3 Report, the Proposal on the Working Rules for Chief Audit Officer, and the Capital Adequacy Ratio Report on the First Half of 2020. Besides, it also heard fix reports including the Report on the Bank Operation in 2019.

10.5 Duty Performance 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).

In 2020, 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 and internal control management, and strove to get more out of its supervisory initiatives. The Supervisors diligently performed their responsibilities based on applicable laws and regulations and the Articles of Association of the Bank. No acts that would impair the interests of shareholders were identified during the reporting period.

During the reporting period, the Board of Supervisors held 15 meetings, adopted 95 resolutions of all sorts, and reviewed 24 special reports. Its special committees convened ten meetings where 29 proposals were considered and adopted. The average rate of attendance of supervisors in person reached 99.2%, a level meeting the regulatory provision that “a supervisor shall attend personally at least two thirds of the meetings of the Board of Supervisors each year”. The Board of Supervisors mainly focused on major operation and management matters including the duty performance of Directors and Senior Management members, strategic plan and its implementation, capital management, financial report, annual profit distribution plan, comprehensive risk management, write-off of asset losses, internal control and compliance, remuneration management and internal audit. All Supervisors considered and reviewed all proposals and reports in earnest, and independently voiced their opinions and suggestions.

During the reporting period, the Board of Supervisors actively carried out primary-level surveys and inspections. It surveyed and inspected six tier-one branches, two tier-2 branches, eight Head Office departments, three domestic subsidiaries and ten sub-branches in Shanghai, and held a total of 35 special meetings. In the first half of 2020, the Board of Supervisors conducted a survey in Ningbo and Taizhou Branch under its jurisdiction. In the survey, it inspected and urged the implementation of the three-year action plan and guiding principles of the Bank's annual work conference, and pushed the operating institution to improve its operation and management capabilities, thereby contributing to local economic and social development. The Board of Supervisors visited sub-branches of Shanghai Branch to inspect and supervise the implementation of pandemic prevention and control and key tasks of the three-year action plan, and required that the institutions shall spare no effort to implement the three-year action plan while ensuring sound pandemic prevention and control. In the second half of 2020, the Board of Supervisors organized more than ten surveys, paying close attention to the implementation of regulatory requirements and risk and internal control management requirements. It clearly required that the relationship between supervision and development should be properly handled, and required to firmly establish the concept of compliant operation and uphold legal and compliant operation. In December 2020, the Bank organized some Directors and Supervisors to visit Shanghai Trust for inspection to learn about the operation of the subsidiary and its implementation of the Group strategy. Through the inspection, the Supervisors acquired a deep understanding of the operation status, group collaboration and relevant effect of Shanghai Trust, and put forward opinions and suggestions.

During the reporting period, the Board of Supervisors organized evaluation of duty performance by the Board of Directors, the Senior Management and its members, and Supervisors in the year. In accordance with the Guidelines on Work of the Board of Supervisors of Commercial Bank as well as the Bank's Implementation Rules for Evaluation of Duty Performance by Directors, the Measures for Evaluation of Duty Performance by Supervisors, and other pertinent policies and rules, it evaluated how the Directors, Supervisors and Senior Management members performed their duties in 2019, and produced the Report on Duty performance by Directors, Supervisors and Senior Management Members in 2019, which was presented to the CBRIC in time after being reviewed and approved at the 8th Meeting of the Seventh Board of Supervisors, and reported to shareholders on the Shareholders' Meeting.

During reporting period, the Board of Supervisors carried out the annual corporate supervision evaluation. According to the Management Measures for Relevant Reports of the (Board of) Directors and (Board of) Supervisors of Enterprises under the Regulation of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government and the Catalogue of Duty Performance of Expatriate Chairman of the Board of Supervisors and Expatriate Supervisors of State-Owned Enterprises under Shanghai Municipal People's Government (Version 2020), it organized the evaluation of the business results and financial position of the Bank, and produced the Supervisory Evaluation Report of Shanghai Pudong Development Bank based on its proposal review, survey, inspection and supervision, which was submitted to State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government after being reviewed and approved at the 9th Meeting of the Seventh Board of Supervisors.

During the reporting period, the Board of Supervisors paid attention to the improvement of the comprehensive risk management system. It organized the supervision and inspection of comprehensive risk management to understand the overall situation of risk management and the improvement of the comprehensive risk management system. It proposed to push forward the reform of the comprehensive risk management system based on the Bank's current characteristics, better play the role of risk management and promote high-quality development of the Bank.

During the reporting period, the Board of Supervisors valued the upgrading of the compliance and internal control management system. It organized special supervision and inspection on compliance and internal control to understand the overall situation of compliance and internal control, the improvement of the internal control and compliance management system, the progress in policy streamlining and improvement and the implementation of rectification across the Bank. All these efforts helped improve the Bank's culture of prudence, build up the philosophy of prudent operation, enhance the awareness of compliance risk, and continuously enhance the binding force and execution of policies.

During the reporting period, the Board of Supervisors supervised the implementation of differentiated policies for different branches in risk management. It held special survey meetings to understand the differentiated management of credit policies in different regions and branches and the consistency between policy orientation and implementation, promoted the continuous improvement and effective implementation of differentiated policies for different branches, and enhanced the quality of business development.

During the reporting period, the Board of Supervisors attached importance to FinTech innovation. It held special meetings to hear the reports on FinTech innovation progress, and proposed to go all out to implement the three-year action plan, push forward the building of a digital bank, and enhance the IT driving force in agile R&D, data operation and technological innovation. It also strengthened IT application in look-through management and risk prevention and control, and promoted the digitalization of comprehensive risk management, compliance and internal control management, thus fully enhancing the risk prevention and control capability.

During the reporting period, the Board of Supervisors paid attention to the financial risk warning indicators and their improvement. It organized the supervision and inspection of financial risk early warning to understand the overall situation of financial risk early warning, the lighting of financial risk early warning indicators and the arrangement of financial risk early warning plan, and further improve the financial risk indicators.

10.6 Duty Performance of the Special Committees of the Board of Supervisors

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

10.6.1 Nomination Committee

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

During the reporting period, the Nomination Committee held three meetings, at which it considered seven proposals including the Report on the Evaluation of Duty Performance by Directors in 2019, the Report on the Evaluation of Duty Performance by Supervisors in 2019, the Report on the Evaluation of Duty Performance by Senior Management Members in 2019, the Proposal on the Appraisal of Duty Performance by Senior Management Members (Professional Managers) in 2019, the Proposal on Remuneration of Senior Management Members in 2019, the Proposal on Nominating Supervisor Candidates, and the Proposal on the Responsibility Agreement for the Appraisal Objectives of Senior Management Members (Professional Managers) for 2020.

10.6.2 Supervision Committee

As at the end of reporting period, the Supervision Committee of the Board of Supervisors consisted of four Supervisors, including Mr. Wang Yuetang (Chairman), Mr. Wang Jianping, Mr. Cao Yijian, and Mr. Wu Jian.

During the reporting period, the Supervision Committee convened seven meetings, at which it considered 22 proposals including the Proposal on the 2019 Annual Report and Its Abstract, the Proposal on the Management Measures for Large-amount Fund Risk Control, the Proposal on the Report on Anti-money Laundering Work in 2019 and the Proposal on Amendments to the Working Rules of the Supervision Committee of the Board of Supervisors.

10.7 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 large shareholders did not occupy funds of the Bank by any means or require the Bank to provide guarantee for others.

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

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

In 2020, proceeding from its actual conditions, the Bank continued to act on the requirements set out in the Work Plan on the Pilot Remuneration System Reform for Professional Managers at State-owned Enterprises of Shanghai Municipal Government, completed the 2019 assessment and evaluation of duty performance and remuneration allocation for professional managers and other managerial personnel nominated and managed by the Bank.

10.9 Internal Control Self-appraisal Report

The Bank prepared the 2020 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 materials 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.

10.10 Relevant Information about Internal Control Audit Report

The Bank prepared and disclosed the 2020 Internal Control Appraisal Report. KPMG Huazhen LLP audited the effectiveness of the internal control over financial reporting of the Bank as of 31 December 2020, and issued the Internal Control Audit Report. Full text of the above report has been published on SSE's website www.sse.com.cn.

10.11 Investor Relations Management

During the reporting period, in response to COVID-19, the Bank applied new investor management modes, and actively promoted investment value through publicity efforts. Upholding the spirit of "efficiency, precision, collaboration, and compliance", it organized investor meetings through online meeting, teleconference, etc., and played the role as a window of capital market to the outside world. It held annual results announcement via internet, updated domestic and overseas investors, market players and shareholders on its strategic plan, operation and management, and social responsibility among other aspects in an objective, comprehensive, timely, and accurate way, and vigorously served as a bridge between the listed company and its shareholders to enhance its information transparency, improve the value transmission mechanism, and protect the rights and interests of investors. In active response to the call of regulatory agencies, the Bank strengthened the investor education, thus raising the awareness of right protection and the sense of responsibility among investors and shareholders, and helping them develop the concept of rational investment and value-oriented investment.

10.12 Index for Information Disclosure

During the reporting period, the Bank disclosed the following information on journals designated by the CSRC including China Securities Journal, Shanghai Securities News and Securities Times, and the SSE website (www.sse.com.cn):

Items	Date of publication
Legal Opinions of Shanghai United Law Firm on the 2020 First Extraordinary Shareholders' Meeting of Shanghai Pudong Development Bank Co., Ltd	31-Dec-20
Announcement on Changes in Employee Supervisors of the Bank	31-Dec-20
Announcement on Resolutions Made on the 2020 First Extraordinary Shareholders' Meeting	31-Dec-20
Announcement on Resolutions Made on the 17th Meeting of the Seventh Board of Supervisors	30-Dec-20
Announcement on Related Party Transactions with Guotai Junan Securities Co., Ltd.	30-Dec-20
Prior Approval of Independent Directors on Related Party Transactions	30-Dec-20

Announcement on Resolutions Made on the 18th Meeting of the Seventh Board of Directors	30-Dec-20
Independent Opinions of Independent Directors on Related Party Transactions	30-Dec-20
Materials for the 2020 First Extraordinary Shareholders' Meeting	23-Dec-20
Announcement on the Approval of Qualifications of Independent Directors by the CBIRC	23-Dec-20
Announcement on Remuneration of Senior Management Members in 2019	18-Dec-20
Independent Opinions of Independent Directors on the Nomination of Director Candidates	15-Dec-20
Notice on Convening the 2020 First Extraordinary Shareholders' Meeting	15-Dec-20
Announcement on Resolutions Made on the 17th Meeting of the Seventh Board of Directors	15-Dec-20
Announcement on Resignation of Director of the Bank	15-Dec-20
Announcement on the Completion of Issuance of Undated Capital Bonds	25-Nov-20
Announcement on Dividend Distribution for Preference Shares in the First Tranche	19-Nov-20
Announcement on Resolutions Made on the 16th Meeting of the Seventh Board of Supervisors	13-Nov-20
Announcement on Related Party Transactions with Shanghai International Group Co., Ltd.	13-Nov-20
Announcement on Resolutions Made on the 16th Meeting of the Seventh Board of Directors	13-Nov-20
Prior Approval of Independent Directors on Related Party Transactions	13-Nov-20
Independent Opinions of Independent Directors on Related Party Transactions	13-Nov-20
Full Text of 2020 Q3 Report	31-Oct-20
Main Text of 2020 Q3 Report	31-Oct-20
Announcement on Resolutions Made on the 15th Meeting of the Seventh Board of Directors	31-Oct-20
Announcement on Resolutions Made on the 15th Meeting of the Seventh Board of Supervisors	31-Oct-20
Announcement on Approval of the Issuance of Undated Capital Bonds by the PBC	24-Oct-20
Announcement on Interest Payment for SPDB Convertible Bonds in 2020	22-Oct-20
Announcement on Resolutions Made on the 14th Meeting of the Seventh Board of Directors	15-Oct-20
Announcement on Related Party Transactions with Shenergy Group Co., Ltd.	15-Oct-20
Independent Opinions of Independent Directors on Related Party Transactions	15-Oct-20
Announcement on Resolutions Made on the 14th Meeting of the Seventh Board of Supervisors	15-Oct-20
Prior Approval of Independent Directors on Related Party Transactions	15-Oct-20
Announcement on Results of Conversion of Convertible Bonds to Shares and Changes in Shares	12-Oct-20
Announcement on Approval of the Issuance of Undated Capital Bonds by the CBIRC	19-Sep-20
Announcement on Completion of the Issuance of the Second Tranche of Tier 2 Capital Bonds in 2020	19-Sep-20
Announcement on Resignation of Employee Supervisor	16-Sep-20
Announcement on Redemption of Tier-2 Capital Bonds	11-Sep-20
Review Opinions of CITIC Securities Co., Ltd. and Guotai Junan Securities Co., Ltd. Concerning the Listing and Circulation of Non-public Shares Subject to Restrictions on Sales in 2017 of Shanghai Pudong Development Bank Co., Ltd.	01-Sep-20
Announcement on the Listing and Circulation of Non-public Shares Subject to Restrictions on Sales in 2017	01-Sep-20
2020 Interim Report	29-Aug-20

Announcement on Resolutions Made on the 13th Meeting of the Seventh Board of Directors	29-Aug-20
Abstract of 2019 Interim Report	29-Aug-20
Capital Adequacy Ratio Report for H1 2020	29-Aug-20
Announcement on Resolutions Made on the 13th Meeting of the Seventh Board of Supervisors	29-Aug-20
Announcement on the Approval of Qualifications of Executive Director by the CBIRC	21-Aug-20
Announcement on Approval of Establishment of SPDB Wealth Management Co., Ltd.	13-Aug-20
Announcement on Completion of the Issuance of Tier-2 Capital Bonds in 2020	04-Aug-20
Assessment Indicators for Global Systemically Important Banks in 2019	25-Jul-20
Announcement on Resolutions Made on the 12th Meeting of the Seventh Board of Supervisors	25-Jul-20
Announcement on Resolutions Made on the 12th Meeting of the Seventh Board of Directors	25-Jul-20
Announcement on Purchase of Shares of the Bank by the Directors to be Appointed	21-Jul-20
Announcement on the Approval of Issuance of Tier-2 Capital Bonds by the PBC	18-Jul-20
Announcement of the Bank on Purchase of Its Stocks by Its Senior Management Members	17-Jul-20
Announcement on Adjusting the Conversion Price of Convertible Corporate Bonds according to the 2019 Profit Distribution Plan	16-Jul-20
Announcement of the Bank on Purchase of Its Stocks by Its Senior Management Members	16-Jul-20
Announcement on the Implementation of Dividend Distribution for Ordinary Shares in 2019	16-Jul-20
Indicative Announcement on the Implementation of Dividend Distribution for Ordinary Shares in 2019 and the Continuous Suspension of Share Conversion of SPDB Convertible Bonds.	10-Jul-20
Announcement on the Approval of Qualifications of Director by the CBIRC	09-Jul-20
Announcement on Unloading Convertible Corporate Bonds of the Bank by the Largest Shareholder and Its Persons Acting in Concert	08-Jul-20
Announcement on Results of Conversion of Convertible Bonds to Shares and Changes in Shares	03-Jul-20
Announcement on the Approval of Issuance of Tier-2 Capital Bonds by the CBIRC	01-Jul-20
Announcement on Resolutions Made on the 11th Meeting of the Seventh Board of Supervisors	30-Jun-20
Announcement on Resignation of Chairman of the Board of Supervisors of the Bank	30-Jun-20
Announcement on Resolutions Made on the 11th Meeting of the Seventh Board of Directors	30-Jun-20
Announcement on the Track Rating Results of Convertible Corporate Bonds in 2020	25-Jun-20
Tracking Rating Report on Publicly Issued Convertible Corporate Bonds	25-Jun-20
Announcement on Resolutions Made on the 2019 Annual General Meeting	20-Jun-20
Legal Opinions on the 2019 Annual General Meeting	20-Jun-20
Announcement on Resolutions Made on the 10th Meeting of the Seventh Board of Supervisors	19-Jun-20
Announcement on Resolutions Made on the 10th Meeting of the Seventh Board of Directors	19-Jun-20
Indicative Announcement on Convening the 2019 Annual General Meeting	17-Jun-20

Materials for the 2019 Annual General Meeting	11-Jun-20
Announcement on Resolutions Made on the ninth Meeting of the Seventh Board of Directors	29-May-20
Announcement on Related Party Transactions with Shanghai Jiushi (Group) Co., Ltd.	29-May-20
Independent Opinions of Independent Directors on Related Party Transactions	29-May-20
Notice on Convening the 2019 Annual General Meeting	29-May-20
Announcement on Resolutions Made on the Ninth Meeting of the Seventh Board of Supervisors	29-May-20
Prior Approval of Independent Directors on Related Party Transactions	29-May-20
Announcement on Resignation of Vice President of the Bank	14-May-20
Announcement on Completion of the Issuance of the First Tranche of Financial Bonds in 2020	30-Apr-20
Announcement on Conversion of SPDB Convertible Bonds into Shares	28-Apr-20
Independent Limited Assurance Report on Key Data in the 2019 Corporate Social Responsibility Report	27-Apr-20
Financial Statements and Auditor's Report for 2019	25-Apr-20
Announcement on Amendments to the Articles of Association	25-Apr-20
Comparison Table on Amendments to the Procedural Rules for the Board of Supervisors of Shanghai Pudong Development Bank Co., Ltd.	25-Apr-20
2019 Corporate Social Responsibility Report	25-Apr-20
2019 Audit Report on Internal Control	25-Apr-20
2019 Annual Report	25-Apr-20
Report of CITIC Securities Co., Ltd. and Guotai Junan Securities Co., Ltd. on Continuous Supervision of Public Issuance of Convertible Corporate Bonds by Shanghai Pudong Development Bank Co., Ltd. in 2019	25-Apr-20
Announcement of 2019 Profit Distribution Plan	25-Apr-20
2020 Q1 Report (Main Text)	25-Apr-20
2019 Work Report of Independent Directors	25-Apr-20
Comparison Table on Amendments to the Procedural Rules for the Board of Directors of Shanghai Pudong Development Bank Co., Ltd.	25-Apr-20
Independent Opinions of Independent Directors	25-Apr-20
Announcement on Re-engagement of Accounting Firm	25-Apr-20
2020 Q1 Report (Full Text)	25-Apr-20
Special Explanation on the Occupation of Non-operating Funds and Other Related Fund Transactions in 2019	25-Apr-20
Report on Duty Performance of the Audit Committee of the Board of Directors in 2019	25-Apr-20
Report on Deposit and Use of Raised Funds in 2019	25-Apr-20
Abstract of 2019 Annual Report	25-Apr-20
Announcement on Resolutions Made on the Eighth Meeting of the Seventh Board of Supervisors	25-Apr-20
Special Report on Deposit and Actual use of Raised Funds in 2019 and Assurance Report	25-Apr-20
Announcement on Resolutions Made on the Eighth Meeting of the Seventh Board of Directors	25-Apr-20
Special Verification Report of CITIC Securities Co., Ltd. and Guotai Junan Securities Co., Ltd. on the Deposit and Actual Use of Raised Funds of Shanghai Pudong Development Bank Co., Ltd. in 2019	25-Apr-20
2019 Internal Control Assessment Report	25-Apr-20
Announcement on Approval of Issuance of Financial Bonds	22-Apr-20
Announcement on Resolutions Made on the Seventh Meeting of the Seventh Board of Directors	11-Apr-20
Announcement on Resolutions Made on the Seventh Meeting of the Seventh Board of Supervisors	11-Apr-20
Indicative Announcement on Equity Disposal of Investee Enterprises	04-Apr-20

Announcement on Resolutions Made on the Sixth Meeting of the Seventh Board of Directors	21-Mar-20
Announcement on Resolutions Made on the Sixth Meeting of the Seventh Board of Supervisors	21-Mar-20
Announcement on Adjusting the Nominal Dividend Rate of the Second Tranche of Preference Shares	12-Mar-20
Announcement on Resolutions Made on the Fifth Meeting of the Seventh Board of Directors	29-Feb-20
Prior Approval of Independent Directors on Related Party Transactions	29-Feb-20
Announcement on Resolutions Made on the Fifth Meeting of the Seventh Board of Supervisors	29-Feb-20
Independent Opinions of Independent Directors on Related Party Transactions	29-Feb-20
Announcement on the Implementation of Dividend Distribution for the Second Tranche of Preference Shares	29-Feb-20
Announcement on Resolutions Made on the Fourth Meeting of the Seventh Board of Supervisors	04-Feb-20
Announcement on Resolutions Made on the Fourth Meeting of the Seventh Board of Directors	04-Feb-20
Prior Approval of Independent Directors on Related Party Transactions	22-Jan-20
Independent Opinions of Independent Directors on Related Party Transactions	22-Jan-20
Announcement on Resolutions Made on the Third Meeting of the Seventh Board of Supervisors	22-Jan-20
Announcement on Related Party Transactions with Bailian Group Co., Ltd.	22-Jan-20
Announcement of 2019 Preliminary Earnings Estimate	22-Jan-20
Announcement on Resolutions Made on the Third Meeting of the Seventh Board of Directors	22-Jan-20
Announcement on Resolutions Made on the Second Meeting of the Seventh Board of Directors	02-Jan-20
Announcement on Resolutions Made on the Second Meeting of the Seventh Board of Supervisors	02-Jan-20

Section XI Financial Report

11.1 2020 Financial Statements and Audit Report Prepared Based on ASBE (See the Appendix)

11.2 2020 Financial Statements and Audit Report Prepared Based on IFRS (See the Appendix)

11.3 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:

	Return on equity (%)		Earnings per share (RMB)	
Profit in the reporting period	Fully diluted	Weighted average	Basic	Fully diluted
Net profit attributable to the parent company's ordinary shareholders	10.46	10.81	1.88	1.73
Net profit attributable to the parent company's ordinary shareholders deducting the non-recurring profit or loss	10.38	10.73	1.87	1.72

Section XII Catalogue of Documents for Inspection

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

12.2 Original of the Audit Report Bearing Stamp of the Accounting Firm as well as Signature and Stamp of the CPAs

12.3 Originals of all Articles and Announcements Disclosed by the Bank during the Reporting Period on Shanghai Securities News, Securities Times, and China Securities Journal

12.4 2020 Internal Control Assessment Report of SPD Bank and 2020 Corporate Social Responsibility Report of SPD Bank

Chairman: Zheng Yang

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

25 March 2021

Shanghai Pudong Development Bank Co., Ltd.

Financial Statements and Auditor's Report
For the year ended 31 December 2020

English translation of the Financial Statements

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

AUDITOR'S REPORT

KPMG Huazhen Shenzi NO.2101517

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

Opinion

We have audited the financial statements of Shanghai Pudong Development Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 1 to 147, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2020, the consolidated and the Bank's statement of profit or loss and other comprehensive income, the consolidated and the Bank's statement of cash flows and the consolidated and the Bank's statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the consolidated and the Bank's financial positionas at 31 December 2020 and of its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the the Ministry of Finance of the People's Republic of China.

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

<table>
<tr><th colspan="2">Measurement of expected credit loss ("ECL") for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments</th></tr>
<tr><td colspan="2">Refer to Notes III.8.(6), V.6, V.7(b), V.14, V.23, XII.1(1), XII.1(3), XII.1(4) and XII.1(5) to the financial statements.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments involves significant management judgments.

The Group established internal controls for the ECL measurement.</td><td>Our audit procedures to assess ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments included the following:

• Understanding and evaluating the design and operating effectiveness of the key internal controls over financial reporting related to ECL measurement for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments:

- Understanding and evaluating the design and operating effectiveness of the key internal controls of the financial reporting process, including credit approval, recording, monitoring, periodic re-evaluation of credit grading, and the accrual of loss allowance; in particular, we assessed the design and operating effectiveness of the key internal controls over financial reporting related to the classification of loans by credit quality across all stages, financial investment at amortized cost, credit quality of financial guarantees and loan commitments;

- Understanding and evaluating the design and operating effectiveness of information system controls, including: general information technology control, completeness of key internal historical data, inter-system data transmission, mapping of parameters of ECL model, and system calculation logic of loss allowance for ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments, based on the works of our Information Technology Risk Management ("IRM") Specialists and Financial Risk Management ("FRM")</td></tr>
</table>

	Specialists;

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes III.8.(6), V.6, V.7(b), V.14, V.23, XII.1(1), XII.1(3), XII.1(4) and XII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group assesses whether the credit risks of loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments have increased significantly since their initial recognition, and applies a three – stage impairment model to measure their ECL. For loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.	• Based on the work of FRM Specialists, evaluating the reliability of ECL models and parameters used, including prudently evaluating probability of default, loss given default, exposure at default, discount rate, forwar adjustment and other adjustment factors, and evaluating the reasonableness of key management jugments involved, based on the work of FRM Specialists including whether the macro-economy condition under the impact of COVID-19 has been taken into account or not: • Evaluating the completeness and accuracy of key data used by the ECL models. For key internal data related to the original business files, we compared the respective amount of loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments used by the management to evaluate the loss allowances with the general ledger amounts, in order to assess the completeness of lists. Select samples and compare the information of the loans and advances to customers and financial investment at amortized cost, financial guarantees and loan commitments with relevant agreements and other relevant documents to assess the accuracy of the lists. For key external data, we compared it with public information to check its accuracy; • Evaluating key parameters involving subjective judgments by seeking evidence from external sources and comparing it with internal records including historical loss scenarios and security types. As part of these procedures, we inquired management about the reasons for modifictions of key estimates and parameters input, and assessed the consistency of judgement used by management;

Key audit matters (continued)

<table>
<tr><th colspan="2">Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</th></tr>
<tr><td colspan="2">Refer to Notes III.8.(6), V.6, V.7(b), V.14, V.23, XII.1(1), XII.1(3), XII.1(4) and XII.1(5) to the financial statements.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following:

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

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

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

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

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

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

Key audit matters (continued)

<table>
<tr><th colspan="2">Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)</th></tr>
<tr><td colspan="2">Refer to Notes III.8.(6), V.6, V.7(b), V.14, V.23, XII.1(1), XII.1(3), XII.1(4) and XII.1(5) to the financial statements.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Measurement of ECL for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments is subject to inherent uncertainty and involves management judgments, and has an important influence on operation conditions and cap

ital positions of the Group. In view of these reasons, we identified ECL measurement as a key audit matter.</td><td>• Performing credit reviews for the selected credit impaired loans and advances to customers and financial investment at amortized cost by assessing the forecast of recoverable cash flows through inquiry, applying professional judgment and performing independent research. We also evaluated the timing and realisation method of collaterals and considered other sources of repayment asserted by the management. We Assessed the consistency of the application of key assumptions made by the management and compared the assumptions with our data sources;

• Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group;

• According to the relevant accounting standards, evaluate the reasonableness of the information disclosure of financial statements in terms of loans and advances to customers, financial investments measured at amortised cost, financial guarantee contracts and loan commitments.</td></tr>
</table>

Key audit matters (continued)

Consolidation of structured entities	
Refer to Notes III.4 and VII to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an asset-backed security, a trust plan, an asset management plan or a securities investment fund.	Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following: • Making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • Selecting structured entities of each key product type and performing the following procedures for each structured entity selected: - Inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; - Inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;

Key audit matters (continued)

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

Key audit matters (continued)

Assessment of the fair value of financial instruments	
Refer to Notes III.8, III.23 and XII.4 to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Financial instruments carried at fair value account for a significant part of the Group's assets/ iabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement. Besides, the Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • Assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data; • Engaging our Financial Risk Management specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation model of the Group with the industry-wide accepted valuation methodology, developing parallel models, obtaining inputs independently and verifying the inputs; • Assessing the appropriate application of fair value adjustment that form an integral part of fair values, inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and • Assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Other Information

Management is responsible for the other information. The other information comprises all the information included in the 2020 annual report, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

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

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

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

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

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

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

KPMG Huazhen LLP

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

Beijing, China

Shi Haiyun (Engagement Partner)

Dou Youming

25 March 2021

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

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets					
Cash and balances with central bank	V.1	489,088	477,853	484,262	472,824
Deposits with banks and other financial institutions	V.2	151,796	103,755	143,447	96,179
Placements with banks and other financial institutions	V.3	234,131	172,607	238,959	177,854
Precious metals		44,969	30,870	44,969	30,870
Derivative financial assets	V.4	63,589	38,719	63,589	38,719
Financial assets purchased under resale agreements	V.5	36,526	2,873	36,526	2,873
Loans and advances to customers	V.6	4,430,228	3,930,750	4,339,333	3,857,413
Financial investments:	V.7				
- Trading assets		549,149	505,318	514,468	488,178
- Debt investments		1,169,777	1,074,927	1,167,536	1,072,249
- Other debt investments		577,786	497,508	571,508	491,384
- Other equity investments		5,835	5,794	5,835	5,794
Long-term equity investments	V.8	2,401	2,049	26,434	26,148
Fixed assets	V.9	32,364	30,383	16,250	14,852
Intangible assets	V.10	10,523	10,357	8,234	8,067
Goodwill	V.11	6,981	6,981	-	-
Deferred income tax assets	V.12	52,157	45,532	50,853	44,586
Other assets	V.13	92,918	69,653	86,089	64,417
Total assets		7,950,218	7,005,929	7,798,292	6,892,407

The notes on pages 14 to 147 form part of these financial statements.

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

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Liabilities and equity					
Liabilities					
Borrowing from central bank		274,346	233,423	272,964	232,934
Deposits from banks and other financial institutions	V.15	1,182,890	1,000,828	1,193,043	1,008,810
Placements from banks and other financial institutions	V.16	182,682	162,541	117,013	117,719
Trading liabilities	V.17	16,057	23,295	6,067	18,464
Derivative financial liabilities	V.4	61,146	41,503	61,137	41,501
Financial assets sold under repurchase agreements	V.18	232,346	227,583	225,425	227,583
Deposits from customers	V.19	4,122,407	3,661,842	4,090,341	3,634,003
Employee benefits payable	V.20	13,822	12,628	12,183	11,269
Taxes payable	V.21	27,693	28,060	26,242	26,165
Debt securities issued	V.22	1,140,653	1,003,502	1,127,379	991,301
Deferred income tax liabilities	V.12	689	634	-	-
Provisions	V.23	5,280	6,698	5,276	6,697
Other liabilities	V.24	44,390	42,341	36,655	32,551
Total liabilities		7,304,401	6,444,878	7,173,725	6,348,997

The notes on pages 14 to 147 form part of these financial statements.

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

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Liabilities and equity (continued)					
Equity					
Ordinary shares	V.25	29,352	29,352	29,352	29,352
Other equity instruments	V.26	112,691	62,698	112,691	62,698
Capital reserves	V.27	81,761	81,760	81,711	81,710
Other comprehensive income	V.28	3,976	7,267	3,349	6,670
Surplus reserves	V.29	142,739	125,805	142,739	125,805
General risk reserve	V.30	79,640	76,249	78,000	74,900
Retained earnings	V.31	188,038	170,730	176,725	162,275
Equity attributable to the shareholders of the Bank		638,197	553,861	624,567	543,410
Minority interests		7,620	7,190	-	-
Total equity		645,817	561,051	624,567	543,410
Total liabilities and equity		7,950,218	7,005,929	7,798,292	6,892,407

These financial statements were approved for issued by the Board of Directors of the Bank on 25 March 2021.

Chairman of the board of the directors:	President:	Chief Financial Officer:	Head of the finance and accounting department:

The notes on pages 14 to 147 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Income Statements
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group		The Bank	
		2020	2019	2020	2019
Operating income		196,384	190,688	185,057	181,536
Interest income		294,985	297,767	290,103	293,497
Interest expense		(156,404)	(153,244)	(153,741)	(150,955)
Net interest income	V.32	138,581	144,523	136,362	142,542
Fee and commission income		44,257	35,523	40,158	31,515
Fee and commission expense		(10,311)	(10,749)	(10,409)	(10,818)
Net fee and commission income	V.33	33,946	24,774	29,749	20,697
Investment income	V.34	18,980	13,571	17,767	12,990
Including: Income from joint ventures and associates		*146*	*171*	*130*	*158*
Gain or loss from derecognition of financial assets at amortized cost		*433*	*(309)*	*433*	*(309)*
Other income		720	485	255	229
Gains or losses from change of fair value	V.35	2,220	3,765	797	2,934
Foreign exchange gains	V.36	(215)	312	(175)	328
Other operating income		2,160	1,788	310	346
Gains or losses on disposal of assets		(8)	1,470	(8)	1,470
Operating expense		(129,648)	(120,824)	(123,165)	(115,727)
Taxes and surcharges		(2,117)	(1,946)	(2,034)	(1,868)
General and administrative expenses	V.37	(46,702)	(43,052)	(43,706)	(40,297)
Impairment on credit losses	V.38	(79,547)	(74,708)	(77,328)	(73,182)
Impairment losses on other assets		(6)	1	(3)	1
Other operating expenses		(1,276)	(1,119)	(94)	(381)

The notes on pages 14 to 147 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Income Statements (continued)
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group		The Bank	
		2020	2019	2020	2019
Operating profit		66,736	69,864	61,892	65,809
Add: Non-operating income		137	106	126	102
Less: Non-operating expenses		(191)	(153)	(143)	(127)
Profit before income tax		66,682	69,817	61,875	65,784
Less: Income tax expense	V.39	(7,689)	(10,311)	(6,699)	(9,337)
Net profit for the year		58,993	59,506	55,176	56,447
1. Classification according to the ability of going concern					
- Going concern net profit		58,993	59,506	55,176	56,447
-Discontinued operation net profit		-	-	-	-
2. Classification according to shareholders					
- Shareholders of the Bank		58,325	58,911	55,176	56,447
- Minority interests		668	595	-	-

The notes on pages 14 to 147 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Income Statements (continued)
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Other comprehensive income after tax	V.28	(3,307)	2,609	(3,321)	2,043
Other comprehensive income attributes to shareholders of the parent company, after tax		(3,291)	2,608	(3,321)	2,043
Items that may be reclassified to profit or loss		(2,946)	2,363	(2,976)	1,798
- Changes in fair value of other debt investments		(3,521)	1,760	(3,401)	1,541
- Credit impairment allowance of other debt investments		747	645	484	329
- Cash flow hedge reserve		(2)	(1)	2	-
- Exchange differences from the translation of foreign operations		(170)	(41)	(61)	(72)
Item that will not be reclassified to profit or loss		(345)	245	(345)	245
- Changes in fair value of other equity investments		(345)	245	(345)	245
Other comprehensive income attributes to minority interests, after tax		(16)	1	-	-
Total comprehensive income		55,686	62,115	51,855	58,490
Attributable to:					
- Shareholders of the Bank		55,034	61,519	51,855	58,490
- Minority interests		652	596	-	-
Earnings per share (Expressed in RMB)	V.40				
Basic earnings per share attributable to the shareholders of the Bank		1.88	1.95		
Diluted earnings per share attributable to the shareholders of the Bank		1.73	1.92		

The notes on pages 14 to 147 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Cash flows from operating activities					
Net increase in deposits from customers and deposits from banks and other financial institutions		630,325	335,540	628,494	338,769
Net increase in borrrowig from central bank		40,593	12,949	39,700	13,200
Net increase in placements from banks and other financial institutions		20,274	13,907	-	8,082
Net increase in repurchase activities		4,810	108,023	-	108,023
Net decrease in deposits with banks and central bank		21,233	6,577	21,735	5,164
Net decrease in resale activities		832	10,718	832	10,718
Cash received from interest		247,891	242,337	242,799	237,658
Cash received from fee and commissions		46,954	36,955	42,664	32,837
Cash received from other operating activities		15,568	10,275	12,888	8,467
Subtotal of cash inflows		1,028,480	777,281	989,112	762,918
Net increase in loans and advances to customers		(571,450)	(491,993)	(553,977)	(487,500)
Net decrease in deposits from customers, banks and other financial institutions		(22,022)	(26,727)	(18,485)	(21,569)
Net increase in financial assets held for trading		(62,677)	(64,918)	(60,981)	(66,615)
Net increase in placements with banks and other financial institutions		-	-	(471)	-
Net decrease in repurchase activities		-	-	(2,111)	-
Cash paid for interest		(111,896)	(116,830)	(110,067)	(115,423)
Cash paid for fee and commission		(10,971)	(11,023)	(11,019)	(11,091)
Cash paid to and on behalf of employees		(26,595)	(25,174)	(24,967)	(23,595)
Cash paid for taxes		(31,354)	(33,010)	(28,241)	(31,342)
Cash paid for other operating activities		(65,130)	(76,234)	(64,521)	(70,061)
Subtotal of cash outflows		(902,095)	(845,909)	(874,840)	(827,196)
Net cash flows generated from/(used in) operating activities	V.42	126,385	(68,628)	114,272	(64,278)

The notes on pages 14 to 147 form part of these financial statements.

	The Group		The Bank	
	2020	2019	2020	2019
Cash flows from investing activities				
Redemption of investment securities	1,926,503	1,280,999	1,887,873	1,270,712
Cash received from investment income	85,243	75,082	84,681	74,177
Cash received from other investing activities	309	2,477	242	2,468
Subtotal of cash inflows	2,012,055	1,358,558	1,972,796	1,347,357
Purchase of investment securities	(2,147,940)	(1,416,702)	(2,096,373)	(1,415,030)
Cash paid to purchase fixed assets, intangible assets and other long-term assets	(5,792)	(8,829)	(4,510)	(3,840)
Subtotal of cash outflows	(2,153,732)	(1,425,531)	(2,100,883)	(1,418,870)
Net cash flows used in investing activities	(141,677)	(66,973)	(128,087)	(71,513)

The notes on pages 14 to 147 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group		The Bank	
		2020	2019	2020	2019
Cash flows from financing activities					
Proceeds from interest's capital increase		-	24	-	-
Including: Proceeds from minority interest's capital increase in subsidiary		-	24	-	-
Proceeds from insurance of bonds and deposit certificates		1,366,158	1,239,307	1,362,056	1,235,316
Subtotal of cash inflows		1,366,158	1,239,331	1,362,056	1,235,316
Repayment of debt securities issued		(1,179,103)	(1,045,263)	(1,176,093)	(1,044,853)
Cash paid for dividends and interest of debt securities issued		(52,921)	(42,301)	(52,175)	(41,525)
Subtotal of cash outflows		(1,232,024)	(1,087,564)	(1,228,268)	(1,086,378)
Net cash flows generated from financial activities		134,134	151,767	133,788	148,938
Effect of exchange rate changes on cash and cash equivalents		(5,308)	1,274	(5,195)	1,236
Net increase in cash and cash equivalents	V.42	113,534	17,440	114,778	14,383
Add: Cash and cash equivalents at the beginning of the year	V.41	205,084	187,644	197,837	183,454
Cash and cash equivalents at the end of the year	V.41	318,618	205,084	312,615	197,837

The notes on pages 14 to 147 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated statement of changes in owners' equity
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

		Equity attributable to the shareholder of Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Subtotal	Minority interests	Total
Balance at 1 January 2020		29,352	62,698	81,760	7,267	125,805	76,249	170,730	553,861	7,190	561,051
Changes in equity during the year											
Net profit		-	-	-	-	-	-	58,325	58,325	668	58,993
Other comprehensive income	V.28	-	-	-	(3,291)	-	-	-	(3,291)	(16)	(3,307)
Increase in capital	V.26										
- Capital bonds with unfixed terms		-	49,993	-	-	-	-	-	49,993	-	49,993
- Convertible bonds		-	-	1	-	-	-	-	1	-	1
Profit appropriation											
- Appropriation to surplus reserves	V.29	-	-	-	-	16,934	-	(16,934)	-	-	-
- Appropriation to general risk reserves	V.30	-	-	-	-	-	3,391	(3,391)	-	-	-
- Cash dividends to paid to ordinary shareholders	V.31	-	-	-	-	-	-	(17,611)	(17,611)	-	(17,611)
- Cash dividends to paid to preference shareholders	V.31	-	-	-	-	-	-	(1,662)	(1,662)	-	(1,662)
- Interests payment of perpetual bond	V.31	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	(222)	(222)
Balance at 31 December 2020		29,352	112,691	81,761	3,976	142,739	79,640	188,038	638,197	7,620	645,817

The notes on pages 14 to 147 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated statement of changes in owners' equity
For the year ended 31 December 2019
(Expressed in millions of RMB unless otherwise stated)

		Equity attributable to the shareholder of Bank									
	Note	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Subtotal	Minority interests	Total
Balance at 1 January 2019		29,352	29,920	81,760	4,659	109,717	75,946	140,208	471,562	6,818	478,380
Changes in equity during the year											
Net profit		-	-	-	-	-	-	58,911	58,911	595	59,506
Other comprehensive income	V.28	-	-	-	2,608	-	-	-	2,608	1	2,609
Increase in capital	V.26										
- Capital bonds with unfixed terms		-	29,996	-	-	-	-	-	29,996	-	29,996
- Convertible bonds		-	2,782	-	-	-	-	-	2,782	-	2,782
- Minority interests changes due to subsidiaries' capital increase		-	-	-	-	-	-	-	-	24	24
Profit appropriation											
- Appropriation to surplus reserves	V.29	-	-	-	-	16,088	-	(16,088)	-	-	-
- Appropriation to general risk reserves	V.30	-	-	-	-	-	303	(303)	-	-	-
- Cash dividends to paid to ordinary shareholders	V.31	-	-	-	-	-	-	(10,273)	(10,273)	-	(10,273)
- Cash dividends to paid to preference shareholders	V.31	-	-	-	-	-	-	(1,725)	(1,725)	-	(1,725)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	(248)	(248)
Balance at 31 December 2019		29,352	62,698	81,760	7,267	125,805	76,249	170,730	553,861	7,190	561,051

The notes on pages 14 to 147 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Statement of changes in owners' equity
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Note	Share Capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total
Balance at 1 January 2020		29,352	62,698	81,710	6,670	125,805	74,900	162,275	543,410
Changes in equity during the year									
Net profit		-	-	-	-	-	-	55,176	55,176
Other comprehensive income	V.28	-	-	-	(3,321)	-	-	-	(3,321)
Increase in capital	V.26								
- Capital bonds with unfixed terms		-	49,993	-	-	-	-	-	49,993
- Convertible bonds		-	-	1	-	-	-	-	1
Profit appropriation									
- Appropriation to surplus reserves	V.29	-	-	-	-	16,934	-	(16,934)	-
- Appropriation to general risk reserves	V.30	-	-	-	-	-	3,100	(3,100)	-
- Cash dividends to paid to ordinary shareholders	V.31	-	-	-	-	-	-	(17,611)	(17,611)
- Cash dividends to paid to preference shareholders	V.31	-	-	-	-	-	-	(1,662)	(1,662)
- Interests payment of perpetual bond	V.31	-	-	-	-	-	-	(1,419)	(1,419)
Balance at 31 December 2020		29,352	112,691	81,711	3,349	142,739	78,000	176,725	624,567

The notes on pages 14 to 147 form part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Statement of changes in owners' equity (continued)
For the year ended 31 December 2019
(Expressed in millions of RMB unless otherwise stated)

	Note	Share Capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General risk reserve	Retained earnings	Total
Balance at 1 January 2019		29,352	29,920	81,710	4,627	109,717	74,900	133,914	464,140
Changes in equity during the year									
Net profit		-	-	-	-	-	-	56,447	56,447
Other comprehensive income	V.28	-	-	-	2,043	-	-	-	2,043
Increase in capital	V.26								
- Capital bonds with unfixed terms		-	29,996	-	-	-	-	-	29,996
- Convertible bonds		-	2,782	-	-	-	-	-	2,782
Profit appropriation									
- Appropriation to surplus reserves	V.29	-	-	-	-	16,088	-	(16,088)	-
- Cash dividends to paid to ordinary shareholders	V.31	-	-	-	-	-	-	(10,273)	(10,273)
- Cash dividends to paid to preference shareholders	V.31	-	-	-	-	-	-	(1,725)	(1,725)
Balance at 31 December 2019		29,352	62,698	81,710	6,670	125,805	74,900	162,275	543,410

The notes on pages 14 to 147 form part of these financial statements.

I GENERAL INFORMATION

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

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

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

The major subsidiaries are consolidated in the Group’s financial statements are disclosure in Note VI.

II BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared on the going concern basis.

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance. These financial statements present truly and completely the consolidated financial position and financial position of the Bank as at 31 December 2020, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Bank for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1 Accounting period

The accounting period is from 1 January to 31 December.

2 Functional Currency

The functional currency of the Group's operations in Mainland China is Renminbi (RMB). Items included in the financial statements of each of the Group's operations oversea are measured using the currency of the primary economic environment in which the entity operates. The Group translates the financial statements of overseas subsidiaries from their respective functional currencies into the Group's functional currency (see Note III.5).

3 Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, when the acquirer determines whether acquired set of assets constitute a business, it may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business. When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition-date fair values. It is not required to apply the accounting of business combination described as below.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.20). If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition (see Note III.14(2)(b)); Any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods is transferred to retained earnings and surplus reserve at the date of acquisition.

4 Consolidated financial statements

General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries (including a structured entity). Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained.

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

Changes in non-controlling interests

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

5 Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in profit or loss, with the exception that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank's net investment of a foreign entity, and the aggregate exchange differences are not recognised in profit or loss until the disposal of such net investment. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

6 Criteria for determining cash and cash equivalents

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

7 Precious metals

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

8 Financial instruments

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

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

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Accounts receivable containing no significant financing component or do not consider the financing components in the contracts within one year are measured initially at transaction prices determined by the accounting policies set out in Note III 26.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

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

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

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

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

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

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

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

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

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

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

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

- Financial assets at amortised cost

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

- Debt investments at FVOCI

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

- Equity investments at FVOCI

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

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and amortised cost.

- Financial liabilities at FVTPL

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

  Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost

  These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

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

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

(5) Derecognition of financial assets and financial liabilities

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

- the Group’s contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or;

- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continue to recognise the transferred assets to the extent of its continuing involvement, derecognise the remaining. The carrying amount of the transferred assets is apportioned between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the carrying amount of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

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

(6) Impairment

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

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

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

Measurement of ECL

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

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

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

For accounts receivable, loss allowance always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

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

Presentation of allowance for ECL

ECL are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income.

Write-off

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

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

(7) Modification of loan contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts.The Group would assess whether or not the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms. If the renegotiation or modification does not result in derecognition, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(8) Equity instrument

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

When the Bank repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

9 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in Note XII.1(3)); and
- The premium received on initial recognition less the accumulated amount of income according to CAS No.4 – Revenue.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in Note XII.1(3)). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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

10 Derivatives and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Certain derivatives are embedded in hybrid contracts.If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes (Note III.8(ii)). Otherwise, the embedded derivatives are treated as separate derivatives when:

(i) Their economic characteristics and risks are not closely related to those of the host contract;

(ii) A separate instrument with the same terms would meet the definition of a derivative; and

(iii) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group’s overseas branch implanted fair value hedge and cash flow hedge, by designated selected derivative instruments to hedge the specific fair value or cash flow related risk of recognized assets.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

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

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

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at

amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins.

Cash flow hedges

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

- the cumulative gain or loss on the hedging instrument from inception of the hedge;
- the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

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

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

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

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

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

- If the hedged future cash flows are still expected to occur, that amount will remain in the cash flow hedge reserve, and be accounted for in accordance with the above policy.
- If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

Hedges of a net investment in a foreign operation

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

11 Convertible instruments

Convertible instruments containing an equity component

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

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

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

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

Other convertible instruments not containing an equity component

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

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

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

12 Preference shares and capital bonds with unfixed terms

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

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

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

13 Repurchase and reverse repurchase transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.

14 Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current year.

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

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

(b) Investment in joint ventures and associates

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

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

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

- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

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

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

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

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

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

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

15 Fixed assets

(1) Recognition of fixed assets

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

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

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

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

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

(2) Depreciation of fixed assets

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

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

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

(3) For the impairment of the fixed assets, refer to Note III.21.

(4) Disposal of fixed assets

When fixed assets meet one of the following conditions, the carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

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

16 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs , and any other costs directly attributable to bringing the asset to working condition for its intended use. A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.21).

17 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.21). For an intangible asset with finite useful life, its cost less estimated residual value and

accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

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

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

- Customer contract relationship is amortized on the straight-line basis over the maximum beneficial life upon the acquisition date.

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

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

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

18 Long-term deferred expenses

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

19 Repossessed assets

Repossesssed assets refer to the physical assets or property rights of the debtor, guarantor or third party that are compensated by the Group for exercising creditor's rights or security interests. Repossessed assets that are financial assets are recognised and measured in accordance with Note III 8. Repossessed assets that are not financial assets, are initially recognised at the fair value of abandoned creditor’s rights and taxes directly attributable to the asset and other costs, and are subsequently measured at the lower of the carrying value and net recoverable amount. On the balance sheet date, if the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

20 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer’s interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control. Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.21). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

21 Impairment of assets other than inventories and financial assets

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

- fixed assets
- construction in progress
- intangible assets
- long-term equity investments
- goodwill
- long-term deferred expenses, etc

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

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows (see Note.III.23).

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

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

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

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

22 Provisions

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

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

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

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

23 Fair value measurement

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

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

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

24 Dividend distribution

After the reporting date, the dividends or profits to be distributed in the profit distribution plan which has been examined and approved are not really considered as liabilities on the balance sheet date and shall be disclosed separately in the notes.

25 Fiduciary activities

The Group only provides services and collects fees in accordance with the agent agreement in the fiduciary activities of acting as agent, but not assumes any risk or benefit in respect of the assets acting as agent. The assets are not recognized in the financial position statement of the Group.

The Group also operates entrusted loan business. Entrusted loan business refers to the business in which the client provides funds and the Group issues and assists in recovering the loan on behalf of the client in accordance with the loan object, purpose, amount, interest rate and repayment plan determined by the client. The risks are borne by the client and the Group only collects related commission fees. Entrusted loans are not included in the financial position statement of the Group.

26 Revenue recognition

Revenue is the gross net inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Interest income

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

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

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

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

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

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

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

(ii) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

27 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group. A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Or included in other income or non-operating income directly.

28 Employee benefits

(1) Short-term employee benefits

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

(2) Post-employment benefits

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

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no

obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

(3) Termination benefits

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

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

29 Income tax

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

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

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

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

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

30 Leases

Leases can divided into financial lease and operating lease. A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

(1) As a lessee under operating leases

Lease payments under an operating lease are recognized in profit or loss by a lessee on a straight-line basis over the lease term. Initial direct cost is also charged to profit or loss. Contingent rents are recorded into profit or loss of the period in which they actually arise.

(2) As a lessor under operating lease

Depreciation of fixed assets other than investment real estate leased by an operating lease shall be calculated and withdrawn in accordance with the depreciation policy mentioned in Note III, 15(2), and impairment provision shall be calculated and withdrawn in accordance with the accounting policy mentioned in Note III, 21. For other operating leases, leased assets shall be subject to specific accounting policies disclosed above.Rental income from an operating lease is recognised in profit or loss on a straight-line basis over the period of the lease. Large amount initial direct cost is capitalised as incurred, and is recorded into profit or loss for the period over the term of the related lease on the same recognition basis as rental income; other small amount initial direct cost is charged to profit or loss for the period as incurred. Contingent rents are recorded into profit or loss of the period in which they actually arise.

(3) As a lessor under finance leases

At the lease commencement date, the present value of the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs is recognized as a receivable. The difference between the receivable and the present value of the receivable is recognized as unearned finance income.

Lease income is recognized over the term of the lease using an interest rate which reflects a constant rate of return, as interest income in the comprehensive income statement. Contingent rents are recorded into profit or loss of the period in which they actually arise.

31 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

32 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

33 Significant accounting and judgements and estimates

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

(1) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets (see Notes III. 15 and17) and provision for impairment of various types of assets (see Notes V), other significant accounting estimates are as follows:

(i) Revenue recognition - as mentioned in Note III. 26, partial fees and commission income are recognised over time. The related income recognition is dependent on estimating the total outcome of the contract, as well as the work done to date. If actual outcomes in terms of total cost or revenue is higher or lower than estimated at the end of the reporting period, the revenue and profit recognised in future years would be affected.
(ii) Note V. 12 - Recognition of deferred tax assets;
(iii) Note XII. 1.(3) - Measurement of ECLs; and
(iv) Note XII. 4 - Fair value of financial instruments.

(2) Significant accounting judgements

Significant judgements made by the Group in the application of accounting policies are as follows:

(i) Note V. 26: Preference shares and capital bonds with unfixed term classified as equity instruments; and

(ii) Note VI - Significant judgements and assumptions in determining control, joint control or significant influence over other entity.

34 Changes in significant accounting policies

The accounting standard takes effect for annual periods beginning on or after 1 January 2020 which is relevant to the Group is CAS Bulletin No.13 (Caikuai [2019] No.21)

CAS Bulletin No.13 has amended the three elements of constituting a business, provides specific guidance on the determination of a business, and introduces an optional concentration test when the acquirer determine whether an acquired set of operating activities or assets that not involving enterprises under common control constitute a business.

In addition, CAS Bulletin No.13 has further clarified that related parties of an entity also include the joint venture(s) or associate(s) of the other members (including the parent and subsidiaries) in the same group that includes the entity, and the other joint venture(s) or associate(s) of the investors who exercise joint control over the entity, etc.

CAS Bulletin No.13 takes effect on 1 January 2020. The Group has adopted the accounting policy change prospectively. The adoption of CAS Bulletin No.13 does not have any significant effect on the financial position, financial performance or related party disclosures of the Group.

IV TAXATION

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

Value-added tax (VAT)	Output VAT is calculated on 6%~16% of the product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period. Part of VAT is calculated on 3% or 5% of the product sales and taxable services revenue.
City maintenance and construction tax	1%-7% of VAT paid
Educational surcharge	3%-5% of VAT paid
Income tax	25% of taxable income. The domestic subsidiarie pay income tax according to local regulations.

Overseas subsidiaries pay income tax according to local regulations.

V Notes to the main items of the financial statements

1 Cash and deposits with central bank

		The Group		The Bank	
	Note	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash		5,356	6,112	5,214	5,964
Statutory reserves with central bank	(1)	339,269	364,433	337,532	362,304
Surplus reserves with central bank	(2)	143,283	105,063	140,336	102,311
Fiscal deposits with central bank		1,011	2,065	1,011	2,065
Accrued interest		169	180	169	180
Total		489,088	477,853	484,262	472,824

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

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

2 Deposits with banks and other financial institutions

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deposits with domestic banks	77,684	56,583	69,529	49,231
Deposits with overseas banks	71,458	46,075	71,289	45,994
Deposits with domestic non-bank financial institutions	2,460	815	2,457	666
Accrued interest	460	498	413	477
Less: impairment allowance	(266)	(216)	(241)	(189)
Total	151,796	103,755	143,447	96,179

3 Placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Placements with domestic banks	12,558	26,260	12,558	26,260
Placements with overseas banks	45,393	15,864	45,393	15,864
Placements with domestic non-bank financial institutions	159,967	108,621	161,132	109,831
Placements with overseas non-bank financial institutions	14,406	20,468	18,056	24,485
Accrued interest	1,953	1,460	1,965	1,478
Less: impairment allowance	(146)	(66)	(145)	(64)
Total	234,131	172,607	238,959	177,854

4 Derivative financial instruments

The Group

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

	31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,568,643	13,246	(13,434)
Exchange rate derivatives	2,571,504	19,833	(19,822)
Precious metal derivatives	182,064	5,432	(8,110)
Commodity and other derivatives	9,903	208	(137)
Total		38,719	(41,503)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	20,096	21	(399)
- Currency swap contracts	627	8	(5)
Cash flow hedges			
- Interest rate swap contracts	193	-	(2)
- Currency swap contracts	3,467	59	(12)
Total		88	(418)

The Bank

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

	31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,568,450	13,246	(13,432)
Exchange rate derivatives	2,571,504	19,833	(19,822)
Precious metal derivatives	182,064	5,432	(8,110)
Commodity and other derivatives	9,903	208	(137)
Total		38,719	(41,501)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	20,096	21	(399)
- Currency swap contracts	627	8	(5)
Cash flow hedges			
- Interest rate swap contracts	-	-	-
- Currency swap contracts	3,467	59	(12)
Total		88	(416)

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

5 Financial assets purchased under resale agreements

The Group and the Bank

	31 December 2020	31 December 2019
Bonds	36,520	2,715
Discounted bills	-	145
Accrued interest	7	14
Less: impairment allowance	(1)	(1)
Total	36,526	2,873

6 Loans and advances to customers

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Loans and advances to customers measured at:				
- amortized cost (a)	4,093,185	3,609,786	3,998,067	3,533,088
- FVOCI (b)	422,508	412,935	422,508	412,935
- FVTPL (c)	18,280	3,180	18,280	3,180
Subtotal	4,533,973	4,025,901	4,438,855	3,949,203
Accrued interest	15,576	15,028	14,851	14,487
Impairment allowances				
- Loans and advances to customers mearsured at amortized cost	(119,116)	(110,059)	(114,168)	(106,157)
- Accrued interest of loans and advances to customers measured at amortized cost	(205)	(120)	(205)	(120)
Subtotal	(119,321)	(110,179)	(114,373)	(106,277)
Net loans and advances to customers	4,430,228	3,930,750	4,339,333	3,857,413

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
(a) Loans and advances to customers measured at amortized cost				
Corporates loans				
Commercial loans	2,248,168	1,901,643	2,168,559	1,839,136
Trade finance	49,048	32,623	49,048	32,623
Discounted bills	3,691	144	3,666	120
Retail loans				
Mortgage loans	849,193	730,260	841,967	724,536
Credit card and overdraft	372,117	421,535	372,117	421,398
Business loans	325,782	274,606	321,078	267,758
Consumer loans and others	245,186	248,975	241,632	247,517
Subtotal	4,093,185	3,609,786	3,998,067	3,533,088
(b) Loans and advances to customers measured at FVOCI				
Corporates loans				
Trade finance	5,627	35	5,627	35
Discounted bills	416,881	412,900	416,881	412,900
Subtotal	422,508	412,935	422,508	412,935
(c) Loans and advances to customers measured at FVTPL				
Corporates loans				
Trade finance	2,944	1,100	2,944	1,100
Discounted bills	15,336	2,080	15,336	2,080
Subtotal	18,280	3,180	18,280	3,180
Total loans andadvances to customers	4,533,973	4,025,901	4,438,855	3,949,203

6.1 Loans and advances to customers analysed by industry

The Group

	31 December 2020		31 December 2019	
	S	Rate (%)	Amount	Rate (%)
Corporate loans				
Manufacturing	392,385	8.65	337,916	8.39
Lease and commercial service	361,907	7.98	264,524	6.57
Real estate	346,486	7.64	334,229	8.30
Wholesale and retail	207,798	4.58	149,206	3.71
Water, environment and public facilities management	173,871	3.84	165,868	4.12
Construction	160,798	3.55	140,212	3.48
Transportation, warehouse and postal services	157,478	3.47	141,309	3.51
Electricity, heat, gas, water production and supply	116,544	2.57	82,656	2.05
Financial services	104,093	2.30	82,782	2.06
Mining	95,167	2.10	81,945	2.04
Information transmission, software and IT services	58,820	1.30	39,432	0.98
Research and technology services	30,262	0.67	24,016	0.60
Culture, sports and entertainment	20,221	0.45	18,843	0.47
Agriculture, forestry, farming and fishery	20,172	0.44	27,785	0.69
Healthcare and social welfare	19,417	0.43	17,512	0.43
Education	15,480	0.34	11,984	0.30
Hotels and catering services	8,285	0.18	7,294	0.17
Residential services, repairs and other services	2,357	0.05	3,497	0.09
Public administration, social assurance and social organization	2,223	0.05	1,102	0.03
Others	12,023	0.27	3,289	0.08
Subtotal	2,305,787	50.86	1,935,401	48.07
Discounted bills	435,908	9.61	415,124	10.31
Retail loans	1,792,278	39.53	1,675,376	41.62
Total	4,533,973	100.00	4,025,901	100.00

The Bank

	31 December 2020		31 December 2019	
	Amount	(%)	Amount	(%)
Corporate loans				
Manufacturing	383,212	8.63	325,632	8.25
Lease and commercial service	362,067	8.16	264,935	6.71
Real estate	346,461	7.81	334,208	8.46
Wholesale and retail	180,701	4.07	134,976	3.42
Water, environment and public facilities management	164,966	3.72	151,988	3.85
Construction	158,654	3.57	138,860	3.52
Transportation, warehouse and postal services	157,326	3.54	141,134	3.57
Electricity, heat, gas, water production and supply	95,037	2.14	67,477	1.71
Financial services	104,009	2.34	83,134	2.10
Mining	90,633	2.04	79,418	2.01
Information transmission, software and IT services	57,581	1.30	38,779	0.98
Research and technology services	30,099	0.68	23,997	0.61
Culture, sports and entertainment	19,475	0.44	18,263	0.46
Agriculture, forestry, farming and fishery	16,971	0.38	26,418	0.67
Healthcare and social welfare	19,111	0.43	16,899	0.43
Education	15,332	0.35	11,837	0.30
Hotels and catering services	8,085	0.18	7,144	0.18
Residential services, repairs and other services	2,212	0.05	3,446	0.09
Public administration, social assurance and social organization	2,223	0.05	1,102	0.03
Others	12,023	0.27	3,247	0.08
Subtotal	2,226,178	50.15	1,872,894	47.43
Discounted bills	435,883	9.82	415,100	10.51
Retail loans	1,776,794	40.03	1,661,209	42.06
Total	4,438,855	100.00	3,949,203	100.00

6.2 Loans and advances to customers analysed by collateral type

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Unsecured loans	1,818,279	1,636,355	1,786,811	1,621,148
Guaranteed loans	776,427	731,908	740,152	697,934
Collateralized loans	1,668,955	1,425,283	1,652,088	1,410,241
Pledged loans	270,312	232,355	259,804	219,880
Total	4,533,973	4,025,901	4,438,855	3,949,203

6.3 Overdue loans and advances to customers

The Group

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

	31 December 2019				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	12,649	13,496	3,751	360	30,256
Guaranteed loans	9,759	8,381	6,713	1,221	26,074
Collateralized loans	12,041	9,226	5,744	1,328	28,339
Pledged loans	1,283	1,371	480	68	3,202
Total	35,732	32,474	16,688	2,977	87,871

The Bank

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

	31 December 2019				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	12,647	13,460	2,803	360	29,270
Guaranteed loans	9,180	8,197	6,428	1,175	24,980
Collateralized loans	11,825	9,152	5,630	1,317	27,924
Pledged loans	1,247	1,371	479	68	3,165
Total	34,899	32,180	15,340	2,920	85,339

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

6.4 Movements of ECL allowance

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

The Group

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

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019		25,665	26,766	53,831	106,262
Transfers during the year:					
- Transfer to stage 1		3,123	(2,941)	(182)	-
- Transfer to stage 2		(1,622)	2,125	(503)	-
- Transfer to stage 3		(1,149)	(17,057)	18,206	-
Net increase for the year	(1)	3,886	10,553	55,279	69,718
Written-offs and disposals during the year		-	-	(68,004)	(68,004)
Recovery of loans and advances written off in previous years		-	-	3,539	3,539
Others		1	-	(1,457)	(1,456)
Balance at 31 December 2019		29,904	19,446	60,709	110,059

The Bank

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

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019		24,551	26,501	52,597	103,649
Transfers during the year:					
- Transfer to stage 1		3,055	(2,923)	(132)	-
- Transfer to stage 2		(1,589)	2,089	(500)	-
- Transfer to stage 3		(1,122)	(16,998)	18,120	-
Net increase for the year	(1)	3,634	10,329	54,127	68,090
Written-offs and disposals during the year		-	-	(67,683)	(67,683)
Recovery of loans and advances written off in previous years		-	-	3,473	3,473
Others		1	-	(1,373)	(1,372)
Balance at 31 December 2019		28,530	18,998	58,629	106,157

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

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

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

The Group and the Bank

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	199	4	-	203
Transfers during the year:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Net increase for the year	89	4	136	229
Balance at 31 December 2019	288	8	136	432

7 Financial investments

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Trading assets	(a)	549,149	505,318	514,468	488,178
Debt investments	(b)	1,169,777	1,074,927	1,167,536	1,072,249
Other debt investments	(c)	577,786	497,508	571,508	491,384
Other equity investments	(d)	5,835	5,794	5,835	5,794
Financial investments, net		2,302,547	2,083,547	2,259,347	2,057,605

(a) Trading assets

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Fund investments		428,552	360,856	407,181	354,530
Corporate bonds		42,040	39,350	41,705	39,129
Trust and asset management plans	(1)	20,294	65,313	13,351	60,531
Beneficiary certificates of securities companies		18,651	-	18,651	-
Government bonds		11,096	5,846	11,095	5,846
Bonds issued by financial institutions		10,412	10,313	9,158	10,126
Equity investment		5,104	4,306	532	114
Bonds issued by policy banks		3,407	7,780	3,407	7,780
Deposit certificates issued by other financial institutions		2,988	4,424	2,988	4,424
Assets backed securities ("ABS")		562	6	463	6
Wealth management products managed by other banks		72	90	-	-
Other investment	(2)	5,971	7,034	5,937	5,692
Total		549,149	505,318	514,468	488,178

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

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

(b) Debt investments

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Government bonds	558,397	481,018	558,397	481,018
Trust and asset management plans				
- ABS	180,867	122,905	180,233	122,905
- Loans	139,798	138,263	138,979	137,120
- Bill assets	44,841	106,200	44,841	106,200
- Others	7,354	11,061	7,354	11,061
Bonds issued by policy banks	194,122	193,020	194,122	193,020
Bonds issued by financial institutions	24,158	3,678	24,158	3,469
Beneficiary certificates of securities companies	8,130	1,950	8,130	1,950
Corporate bonds	6,883	6,805	6,752	6,267
Deposit certificates issued by other financial institutions	833	1,373	833	1,373
ABS	300	1,346	300	1,346
Other debt instrument	-	205	-	205
Subtotal	1,165,683	1,067,824	1,164,099	1,065,934
Accrued interest	16,041	15,818	15,999	15,733
Impairment allowance				
- Principal of debt investments	(11,899)	(8,679)	(12,535)	(9,382)
- Accrued interest of debt investments	(48)	(36)	(27)	(36)
Subtotal of impairment allowance	(11,947)	(8,715)	(12,562)	(9,418)
Financial investments at amortized cost, net	1,169,777	1,074,927	1,167,536	1,072,249

(i) Movement for ECL allowance of debt investments:

The Group

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	2,909	238	4,341	7,488
Transfers for the year:				
- to stage 1	29	(4)	(25)	-
- to stage 2	(5)	5	-	-
- to stage 3	(196)	(132)	328	-
Net decrease) / increase for the year	(1,137)	(50)	2,358	1,171
Recovery of debt investments written off in previous years	-	-	21	21
Others	(1)	-	-	(1)
Balance at 31 December 2019	1,599	57	7,023	8,679

The Bank

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	2,932	238	4,621	7,791
Transfers for the year:				
- to stage 1	29	(4)	(25)	-
- to stage 2	(5)	5	-	-
- to stage 3	(5)	(132)	137	-
Net (decrease)/increase for the year	(1,376)	(54)	3,001	1,571
Recovery of loans and advances written off in previous years	-	-	21	21
Others	(1)	-	-	(1)
Balance at 31 December 2019	1,574	53	7,755	9,382

(c) Other debt investments

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Government bonds		230,989	192,752	230,989	192,752
Bonds issued by policy banks		115,245	133,893	115,245	133,893
Corporate bonds		86,751	59,066	82,188	55,974
Bonds issued by financial		80,328	80,978	79,628	80,631
Trust and asset management plans	(1)	45,011	2,825	43,997	147
ABS		7,818	9,093	7,818	9,093
Deposit certificates issued by other financial institutions		3,833	11,653	3,833	11,653
Subtotal		569,975	490,260	563,698	484,143
Accrued interest		7,811	7,248	7,810	7,241
Total		577,786	497,508	571,508	491,384

(1) Asset management plans are managed and operated by asset managers, and are mainly invested in bill assets and forfeiting assets, etc.

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

The Group

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	530	16	169	715
Transfers for the year:				
- to stage 1	1	(1)	-	-
- to stage 2	(50)	50	-	-
- to stage 3	(38)	(34)	72	-
Net (decrease)/increase for the year	(79)	52	600	573
Write-offs	-	-	(95)	(95)
Others	3	-	1	4
Balance at 31 December 2019	367	83	747	1,197

The Bank

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	354	14	169	537
Transfer for the year:				
- to stage 1	-	-	-	-
- to stage 2	(3)	3	-	-
- to stage 3	-	(18)	18	-
Net (decrease)/increase for the year	(62)	42	321	301
Write-offs	-	-	(95)	(95)
Others	3	-	1	4
Balance at 31 December 2019	292	41	414	747

(d) Other equity investments

The Group and the Bank

	31 December 2020	31 December 2019
Equity investments	5,018	4,983
Other equity investments	817	811
Total	5,835	5,794

8 Long-term equity investments

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Investments in joint ventures	VI.2	2,127	1,841	2,127	1,841
Investments in associate	VI.2	274	208	-	-
Investment in subsidiaries	VI.1	-	-	24,307	24,307
Total		2,401	2,049	26,434	26,148

The Group

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

	1 January 2019	Net income adjusted by equity method	Declared cash dividends	Other change	31 December 2019
AXA SPDB Investment Managers Co., Ltd.	1,247	166	(77)	-	1,336
SPDB Silcon Valley Bank	510	(8)	-	3	505
Others	211	13	-	(16)	208
Total	1,968	171	(77)	(13)	2,049

9 Fixed assets

The Group

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Plane and ship equipments	Construction in progress	Total
Cost						
1 January 2019	13,01(	46	7,96(	12,59	4,49	38,53
Additions	20	3	97	4,68	84(	6,74
Transferred from /(to) construction in progress	1,24				(1,366	(119
Disposals	(749	(48	(644			(1,441
31 December 2019	13,71	44	8,30(	17,27	3,97	43,72(
Additions	47	3	1,46	1,18(	1,19	4,35(
Transferred from/(to) construction in progress			1(		(162	(152
Disposals	(3	(27	(910			(940
31 December 2020	14,18	45	8,87	18,46	5,00	46,98
Accumulated depreciation						
1 January 2019	(4,214	(360	(5,958	(1,51		(12,047
Charge	(471	(43	(942	(744		(2,200
Disposals	33	4	53			91(
31 December 2019	(4,353	(358	(6,367	(2,259		(13,337
Charge	(488	(27	(845	(811		(2,171
Disposals		2	86			88
31 December 2020	(4,840	(361	(6,349	(3,070		(14,620
Net book value						
31 December 2020	9,34	9	2,52	15,39	5,00	32,36
31 December 2019	9,36	8	1,93	15,02(	3,97	30,38

As at 31 December 2020, the net book value of RMB 15.40 billion (31 December 2019: RMB 15.02 billion) of the flight and ship equipment were rent out under operating lease by the Group's subsidiary, Puyin Financial Leasing Co., Ltd..

The Bank

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Construction in progress	Total
Cost					
1 January 2019	12,490	436	7,795	4,499	25,220
Additions	113	24	863	837	1,837
Transferred from /(to) constructions in progress	1,244	-	3	(1,366)	(119)
Disposals	(739)	(47)	(630)	-	(1,416)
31 December 2019	13,108	413	8,031	3,970	25,522
Additions	472	29	1,436	944	2,881
Transferred from/(to) construction in progress	-	-	10	(145)	(135)
Disposals	(3)	(20)	(892)	-	(915)
31 December 2020	13,577	422	8,585	4,769	27,353
Accumulated					
1 January 2019	(4,134)	(345)	(5,856)	-	(10,335)
Charge	(368)	(28)	(824)	-	(1,220)
Disposals	322	44	519	-	885
31 December 2019	(4,180)	(329)	(6,161)	-	(10,670)
Charge	(459)	(25)	(813)	-	(1,297)
Disposals	1	18	845	-	864
31 December 2020	(4,638)	(336)	(6,129)	-	(11,103)
Net book value					
31 December 2020	8,939	86	2,456	4,769	16,250
31 December 2019	8,928	84	1,870	3,970	14,852

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

As at 31 December 2019, the land and buildings with original cost of RMB 1,236 million and net book value of RMB 1,078 million were in use by the Group and the Bank while the property right registration were still in progress.

10 Intangible assets

The Group

	Land use rights	Software and others	Contractual customer relationships	Brand and franchise right	Total
Cost					
1 January 2019	6,800	3,642	688	2,236	13,366
Additions	-	1,336	-	-	1,336
Disposals	-	(4)	-	-	(4)
31 December 2019	6,800	4,974	688	2,236	14,698
Additions	-	1,425	-	-	1,425
Disposals	-	(1)	-	-	(1)
31December 2020	6,800	6,398	688	2,236	16,122
Accumulated amortisation					
1 January 2019	(277)	(2,479)	(648)	-	(3,404)
Amortization	(177)	(745)	(19)	-	(941)
Disposals	-	4	-	-	4
31 December 2019	(454)	(3,220)	(667)	-	(4,341)
Amortization	(173)	(1,072)	(14)	-	(1,259)
Disposals	-	1	-	-	1
31 December 2020	(627)	(4,291)	(681)	-	(5,599)
Net book value					
31 December 2020	6,173	2,107	7	2,236	10,523
31 December 2019	6,346	1,754	21	2,236	10,357

The Bank

	Land use rights	Software and others	Total
Cost			
1 January 2019	6,797	3,572	10,369
Additions	-	1,282	1,282
Disposals	-	(2)	(2)
31 December 2019	6,797	4,852	11,649
Additions	-	1,400	1,400
Disposals	-	(1)	(1)
31 December 2020	6,797	6,251	13,048
Accumulated amortisation			
1 January 2019	(277)	(2,437)	(2,714)
Amortization	(177)	(693)	(870)
Disposals	-	2	2
31 December 2019	(454)	(3,128)	(3,582)
Amortization	(173)	(1,060)	(1,233)
Disposals	-	1	1
31 December 2020	(627)	(4,187)	(4,814)
Net book value			
31 December 2020	6,170	2,064	8,234
31 December 2019	6,343	1,724	8,067

11 Goodwill

	31 December 2020	31 December 2019
Goodwill		
-Shanghai International Trust Co., Ltd. ("Shanghai International Trust")	6,981	6,981
Less:impairment allowances	-	-
Total	6,981	6,981

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

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

	31 December 2019 and 2020
Shanghai International Trust	4,739
Subsidiaries of Shanghai International Trust	2,242
Total	6,981

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

On 31 December 2020, the recoverable amounts of the asset group or a set of asset groups of individual subsidiaries of Shanghai International Trust were determined by reference to its fair value less cost to sell. The relevant fair values were determined on the basis of management's resolution of those charged with governance and the relevant signed documents.

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

12 Deferred income tax

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

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deferred income tax assets	52,157	45,532	50,853	44,586
Deferred income tax liabilities	(689)	(634)	-	-

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

The Group

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	197,668	49,400	178,398	44,599
Fair value changes of derivative financial instruments	61,146	15,286	41,503	10,376
Employee benefits payable	7,425	1,856	7,496	1,874
Provisions	5,280	1,320	6,698	1,674
Fair value changes of assets and liabilities measured at FVTPL	2,685	671	647	162
Fair value changes of financial investment measured at FVOCI	1,039	260	565	141
Fair value changes of precious metals and commodities	620	155	601	150
Others	5,225	1,308	81	21
Subtotal	281,088	70,256	235,989	58,997
Offset amounts		(18,099)		(13,465)
Deferred income tax assets after offsetting		52,157		45,532

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(63,589)	(15,897)	(38,719)	(9,680)
Fair value changes of financial investment measured at FVOCI	(4,179)	(1,045)	(8,751)	(2,187)
Fair value changes of assets and liabilities measured at FVTPL	(3,596)	(899)	(3,030)	(758)
Differences between fair value and carrying amount of identifiable net assets arising from business combinations of entities not under common control	(2,888)	(689)	(2,529)	(632)
Fair value changes of precious metals and commodities	(900)	(225)	(3,359)	(840)
Others	(144)	(33)	(8)	(2)
Subtotal	(75,296)	(18,788)	(56,396)	(14,099)
Offset amounts		18,099		13,465
Deferred tax liabilities after offsetting		(689)		(634)

The Bank

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	193,692	48,423	175,589	43,897
Fair value changes of derivative financial instruments	61,137	15,284	41,501	10,376
Employee benefits payable	7,233	1,808	6,480	1,620
Provision	5,276	1,319	6,697	1,674
Fair value changes of assets and liabilities measured at FVTPL	2,685	671	475	119
Fair value changes of financial investment measured at FVOCI	935	234	565	141
Fair value changes of precious metals and commodities	620	155	601	150
Others	4,057	1,015	79	20
Subtotal	275,635	68,909	231,987	57,997
Offset amounts		(18,056)		(13,411)
Deferred tax assets after offsetting		50,853		44,586

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(63,589)	(15,897)	(38,719)	(9,680)
Fair value changes of financial investment measured at FVOCI	(4,179)	(1,045)	(8,534)	(2,133)
Fair value changes of assets and liabilities measured at FVTPL	(3,447)	(862)	(3,030)	(758)
Fair value changes of precious metals and commodities	(900)	(225)	(3,359)	(840)
Others	(108)	(27)	-	-
Subtotal	(72,223)	(18,056)	(53,642)	(13,411)
Offset amounts		18,056		13,411
Deferred tax liabilities after offsetting		-		-

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

	Note	The Group		The Bank	
		2020	2019	2020	2019
Balance at the beginning of the year		44,898	36,234	44,586	36,078
Charged to profit or loss	V.39	5,488	9,357	5,181	9,213
Charged to other comprehensive income	V.28	1,082	(693)	1,086	(705)
Balance at the end of the year		51,468	44,898	50,853	44,586

13 Other assets

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Suspense accounts	57,674	41,884	57,661	41,884
Margin deposits	10,480	12,353	10,480	12,353
Other receivables	7,487	4,544	6,046	2,693
Prepayment for land-use rights and constructions	4,770	2,204	2,353	2,204
Interest receivable	2,941	574	2,941	568
Payments to Trust Protection Fund on behalf of investors	2,514	3,004	-	-
Long-term deferred expenses	1,079	1,123	1,030	1,064
Repossessed assets	720	628	678	602
Other assets	5,253	3,339	4,900	3,049
Total	92,918	69,653	86,089	64,417

14 Impairment allowances for assets

The Group

	1 January 2020	Charges/ (reverse)	Write-off and disposal	Others	31 December 2020
Deposits with banks and other financial institutions	216	50	-	-	266
Placements with banks and other financial institutions	66	80	-	-	146
Financial assets purchased under resale agreements	1	-	-	-	1
Loans and advances to customers measured at amortized cost	110,059	74,703	(70,044)	4,398	119,116
Loans and advances to customers measured at FVOCI	432	319	-	-	751
Debt investments	8,679	4,250	(1,030)	-	11,899
Other debt investments	1,197	650	-	(32)	1,815
Accrued interest and interest receivable	1,076	607	(284)	-	1,399
Other assets	3,329	312	(224)	-	3,417
Total	125,055	80,971	(71,582)	4,366	138,810

	1 January 2019	Charges/ (reverse)	Write-off and disposal	Others	31 December 2019
Deposits with banks and other financial institutions	116	100	-	-	216
Placements with banks and other financial institutions	90	(24)	-	-	66
Financial assets purchased under resale agreements	7	(6)	-	-	1
Loans and advances to customers measured at amortized cost	106,262	69,718	(68,004)	2,083	110,059
Loans and advances to customers measured at FVOCI	203	229	-	-	432
Debt investments	7,488	1,171	-	20	8,679
Other debt investments	715	573	(95)	4	1,197
Accrued interest and interest receivable	812	255	-	9	1,076
Other assets	2,822	741	(234)	-	3,329
Total	118,515	72,757	(68,333)	2,116	125,055

The Bank

	1 January 2020	Charges/ (reverse)	Write-off and disposal	Others	31 December 2020
Deposits with banks and other financial institutions	189	52	-	-	241
Placements with banks and other financial institutions	64	81	-	-	145
Financial assets purchased under resale agreements	1	-	-	-	1
Loans and advances to customers measured at amortized cost	106,157	73,205	(69,574)	4,380	114,168
Loans and advances to customers measured at FVOCI	432	319	-	-	751
Debt investments	9,382	4,183	(1,030)	-	12,535
Other debt investments	747	355	-	(29)	1,073
Accrued interest and interest receivable	1,067	358	(61)	-	1,364
Other assets	3,311	199	(179)	-	3,331
Total	121,350	78,752	(70,844)	4,351	133,609

	1 January 2019	Charges/ (reverse)	Write-off and disposal	Others	31 December 2019
Deposits with banks and other financial institutions	92	97	-	-	189
Placements with banks and other financial institutions	88	(24)	-	-	64
Financial assets purchased under resale agreements	7	(6)	-	-	1
Loans and advances to customers measured at amortized cost	103,649	68,090	(67,683)	2,101	106,157
Loans and advances to customers measured at FVOCI	203	229	-	-	432
Debt investments	7,791	1,571	-	20	9,382
Other debt investments	537	301	(95)	4	747
Accrued interest and interest receivable	803	255	-	9	1,067
Other assets	2,795	714	(198)	-	3,311
Total	115,965	71,227	(67,976)	2,134	121,350

15 Deposits from banks and other financial institutions

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deposits from domestic banks	282,404	263,808	290,180	269,760
Deposits from overseas banks	11,510	15,297	11,510	15,297
Deposits from domestic non-bank financial institutions	872,880	702,051	874,951	703,303
Deposits from overseas non-bank financial institutions	13,164	17,108	13,437	17,861
Accrued interest	2,932	2,564	2,965	2,589
Total	1,182,890	1,000,828	1,193,043	1,008,810

16 Placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Placements from domestic banks	123,653	106,186	75,050	67,872
Placements from overseas banks	48,296	50,159	41,342	46,741
Placements from domestic non-bank financial institutions	10,320	5,300	500	2,400
Placements from overseas non-bank financial institutions	-	350	-	350
Accrued interest	413	546	121	356
Total	182,682	162,541	117,013	117,719

17 Trading liabilities

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial liabilities related to precious metals		6,067	18,464	6,067	18,464
Interest of other unitholders in consolidated structured entities	(1)	9,990	4,831	-	-
Total		16,057	23,295	6,067	18,464

(1) The Group designated interests attributable to other unit holders in consolidated structured entities as financial liabilities at fair value through profit or loss. As at 31 December 2020 and 31 December 2019, no significant fair value changes have occurred due to changes in the Group's own credit risk.

18 Financial assets sold under repurchase agreements

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Bonds	125,010	136,559	118,089	136,559
Discounted bills	107,273	90,574	107,273	90,574
Interbank deposit certificates	-	340	-	340
Accrued interest	63	110	63	110
Total	232,346	227,583	225,425	227,583

19 Deposits from customers

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Current deposits				
- corporate	1,606,179	1,312,073	1,598,391	1,308,329
- retail	304,281	239,287	301,612	236,633
Time deposits				
- corporate	1,508,210	1,477,382	1,505,404	1,472,697
- retail	655,153	596,673	637,444	580,767
Other deposits	2,661	2,438	2,626	2,414
Subtotal	4,076,484	3,627,853	4,045,477	3,600,840
Accrued interest	45,923	33,989	44,864	33,163
Total	4,122,407	3,661,842	4,090,341	3,634,003

20 Employee benefits payable

The Group

	Note	1 January 2020	Additions during the year	Decreased during the year	Others	31 December 2020
Short-term employee benefits						
Salaries, bonuses, allowances		5,486	19,580	(18,896)	-	6,170
Staff welfare		-	839	(839)	-	-
Social insurance						
- Medical insurance		52	641	(643)	-	50
- Work- related injury insurance		4	11	(12)	-	3
- Maternity insurance		5	40	(31)	-	14
Housing fund		33	1,261	(1,269)	-	25
Labour union fee, staff and workers' education fee		236	458	(461)	-	233
Others		-	436	(436)	-	-
Basic pension insurance	(1)	190	918	(907)	-	201
Unemployment insurance	(1)	23	94	(117)	-	-
Annuity	(1)	4	756	(757)	-	3
Other long-term employee benefits	(2)	6,595	2,475	(2,227)	280	7,123
Total		12,628	27,509	(26,595)	280	13,822

	Note	1 January 2019	Additions during the year	Decreased during the year	Others	31 December 2019
Short-term employee benefits						
Salaries, bonuses, allowances		3,583	19,435	(17,532)	-	5,486
Staff welfare		-	658	(658)	-	-
Social insurance						
- Medical insurance		47	713	(708)	-	52
- Work- related injury insurance		3	15	(14)	-	4
- Maternity insurance		4	68	(67)	-	5
Housing fund		22	1,144	(1,133)	-	33
Labour union fee, staff and workers' education fee		305	485	(554)	-	236
Others		-	263	(263)	-	-
Basic pension insurance	(1)	159	1,435	(1,404)	-	190
Unemployment insurance	(1)	14	118	(109)	-	23
Annuity	(1)	3	636	(635)	-	4
Other long-term employee benefits	(2)	6,347	2,045	(2,097)	300	6,595
Total		10,487	27,015	(25,174)	300	12,628

The Bank

	Note	1 January 2020	Additions during the year	Decreased during the year	Others	31 December 2020
Short-term employee benefits						
Salaries, bonuses, allowances		4,248	18,025	(17,567)	-	4,706
Staff welfare		-	782	(782)	-	-
Social insurance						
- Medical insurance		51	610	(612)	-	49
- Work- related injury insurance		4	11	(12)	-	3
- Maternity insurance		5	37	(28)	-	14
Housing fund		32	1,212	(1,220)	-	24
Labour union fee, staff and workers' education fee		236	431	(435)	-	232
Others		-	424	(424)	-	-
Basic pension insurance	(1)	189	911	(899)	-	201
Unemployment insurance	(1)	22	94	(116)	-	-
Annuity	(1)	4	728	(729)	-	3
Other long-term employee benefits	(2)	6,478	2,349	(2,143)	267	6,951
Total		11,269	25,614	(24,967)	267	12,183

	Note	1 January 2019	Additions during the year	Decreased during the year	Others	31 December 2019
Short-term employee benefits						
Salaries, bonuses, allowances		2,513	18,005	(16,270)	-	4,248
Staff welfare		-	603	(603)	-	-
Social insurance						
- Medical insurance		46	680	(675)	-	51
- Work- related injury insurance		3	14	(13)	-	4
- Maternity insurance		4	65	(64)	-	5
Housing fund		21	1,096	(1,085)	-	32
Labour union fee, staff and workers' education fee		300	453	(517)	-	236
Others		-	258	(258)	-	-
Basic pension insurance	(1)	158	1,370	(1,339)	-	189
Unemployment insurance	(1)	14	114	(106)	-	22
Annuity	(1)	3	616	(615)	-	4
Other long-term employee benefits	(2)	6,249	1,989	(2,050)	290	6,478
Total		9,311	25,263	(23,595)	290	11,269

(1) The post-employment benefits of the Group are basic pension insurance, unemployment insurance and annuity. All of them belong to defined contribution plans.

(2) The other long-term employee benefits of the group are deferred payment which are accrued according to the requirements of regulators and the relevant regulations of the bank. The timeline for the deferred payment is three years.

21 Tax payable

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Corporate income tax	23,804	23,240	23,153	22,651
VAT	2,591	2,982	2,493	2,564
Withholding tax and others	1,298	1,838	596	950
Total	27,693	28,060	26,242	26,165

22 Debt securities issued

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Interbank deposit certificates and deposit certificates issued	(1)	780,410	692,491	780,410	692,491
Bonds issued					
Subordinated bond issued in 2011	(2)	18,400	18,400	18,400	18,400
Subordinated bond issued in 2012	(3)	12,000	12,000	12,000	12,000
Tier II capital bond issued in 2015	(4)	-	30,000	-	30,000
Green Financial Bond 02	(5)	15,000	15,000	15,000	15,000
Green Financial Bond 03	(6)	15,000	15,000	15,000	15,000
2017 First Financial Bond	(7)	-	15,000	-	15,000
2017 Second Financial Bond	(8)	-	22,000	-	22,000
2017 Third Financial Bond	(9)	-	13,000	-	13,000
2018 Tier II First Financial Bond	(10)	20,000	20,000	20,000	20,000
2018 Tier II Second Financial Bond	(11)	20,000	20,000	20,000	20,000
2019 First Special Financial Bond for Small and Micro Enterprise Loans	(12)	50,000	50,000	50,000	50,000
2020 First Financial Bond	(13)	50,000	-	50,000	-
2020 Tier II First Financial Bond	(14)	32,000	-	32,000	-
2020 Tier II Second Financial Bond	(15)	8,000	-	8,000	-
2020 Tier II Third Financial Bond	(16)	30,000	-	30,000	-
2020 Tier II Fourth Financial Bond	(17)	10,000	-	10,000	-
Hong Kong USD medium-term note	(18)	8,829	12,191	8,829	12,191
Singapore USD medium-term note	(19)	1,962	2,090	1,962	2,090
London USD medium-term note	(20)	1,962	2,090	1,962	2,090
SPDB Convertible corporate bonds	(21)	49,999	50,000	49,999	50,000
2017 SPDB Financial Leasing Financial Bond	(22)	-	3,000	-	-
2018 SPDB Financial Leasing Financial Bond	(23)	5,000	5,000	-	-
2019 First SPDB Financial Leasing Financial Bond	(24)	2,000	2,000	-	-
2019 Second SPDB Financial Leasing Financial Bond	(25)	2,000	2,000	-	-
2020 Tier II SPDB Financial Leasing Financial Bond	(26)	1,100	-	-	-
2020 SPDB Financial Leasing Financial Bond	(27)	3,000	-	-	-
Subtotal		356,252	308,771	343,152	296,771
Less: Unamortized issue cost		(975)	(2,645)	(961)	(2,629)
Debt securities issued		355,277	306,126	342,191	294,142
ABS					
Puxin 2017 First Leasing ABS		-	9	-	-
Accrued interest		4,966	4,876	4,778	4,668
Total		1,140,653	1,003,502	1,127,379	991,301

(1) As at 31 December 2020, the Group issued a total of 323 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 1 years and interest rates falling within a range from 1.40% to 3.36% (As at 31 December 2019, the Group issued a total of 266 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 3 years and interest rates falling within a range from 2.65% to 3.28%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2020, the number of deposit certificates publicly issued but not yet expired were 72 in total, with the longest term to maturity being 1 year and interest rates falling within a range from 0% to 2.06% (as at 31 December 2019, the number of deposit certificates publicly issued but not yet expired were 50 in total, with the longest term to maturity being 372 days and interest rates falling within a range from 0% to 3.30%).

(2) The Bank issued subordinated bond in the amount of RMB 18.4 billion in the domestic inter-bank market on 11 October 2011 which have a term of 15 years through maturity, with a fixed annual coupon rate of 6.15%. The Bank is entitled to redeem entire portion of bond at face value on its tenth anniversary.

(3) The Bank issued subordinated bond in the amount of RMB 12.0 billion in the domestic inter-bank market on 27 December 2012 which have a term of 15 years through maturity, with a fixed annual coupon rate of 5.20%. The Bank is entitled to redeem entire portion of bond at face value on its tenth anniversary.

(4) The Bank issued Tier II capital instruments in the amount of RMB 30 billion in the domestic inter-bank market on 7 September 2015 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.50%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain circumstances.

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

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

(7) The Bank issued “2017 First Financial Bond” in the amount of RMB 15 billion in the domestic inter-bank market on 22 February 2017 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.00%.

(8) The Bank issued “2017 Second Financial Bond” in the amount of RMB 22 billion in the domestic inter-bank market on 26 April 2017 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.20%.

(9) The Bank issued “2017 Third Financial Bond” in the amount of RMB 13 billion in the domestic inter-bank market on 10 August 2017 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.20%.

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

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

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

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

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

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

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

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

(18) The Bank issued USD 500 million Medium-term note in Hong Kong Exchange and Clearing Limited on 13 February 2017 which have a term of 3 years through maturity, with a fixed annual coupon rate of 2.375%. The Bank issued USD 400 million medium-term note in Hong Kong Exchange and Clearing Limited on 13 July 2017 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS. The Bank issued USD 350 million medium-term note in Hong Kong Exchange and Clearing Limited on 13 July, 2017 which has a term of 5 years through maturity, with a flexible annual coupon rate of 3ML+95BPS. The Bank issued USD 500 million medium-term note in Hong Kong Exchange and Clearing Limited on 24 September 2018 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+84BPS. The Bank issued USD 500 million medium-term note in Hong Kong Exchange and Clearing Limited on 27 July, 2020 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS.

(19) The Bank issued USD 300 million medium-term note in Singapore Exchange Limited on 26 November 2018 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+87BPS.

(20) The Bank issued USD 300 million medium-term note in London Exchange Limited on 30 October 2019 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+70BPS.

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

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

As at 31 December 2020, a total of RMB 900,000 covertible corporate bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 60,496. The cumulative effect of the conversion on other equity instruments of the Bank was not material.

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

	Liability	Equity (Note V.26)	Total
Issued amount of convertible bonds	47,214	2,786	50,000
Direct issuance expenses	(78)	(4)	(82)
Balance at the issuance date	47,136	2,782	49,918
Amortisation in the prior year	306	-	306
Balance at 1 January 2020	47,442	2,782	50,224
Amortisation in the current period	1,683	-	1,683
Converted bonds during the year	(1)	-	(1)
Balance at 31 December 2020	49,124	2,782	51,906

(22) SPDB Financial Leasing Co., Ltd., the subsidiary of the Bank, issued “2017 Financial Bond” in the amount of RMB 3 billion in the domestic inter-bank market on 24 August 2017 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.96%.

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

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

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

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

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

23 Provisions

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Impairment allowance for financial guarantees and loan commitments	5,280	6,698	5,276	6,697

24 Other liabilities

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Suspense accounts	24,084	24,656	24,079	24,656
Advance from performance deposits and deposits	9,739	5,697	5,777	1,533
Contract liabilities	2,832	3,290	1,954	2,073
Accrued expenses	1,410	1,380	1,395	1,257
Due to Trust Protection Fund	800	1,000	-	-
Others	5,525	6,318	3,450	3,032
Total	44,390	42,341	36,655	32,551

25 Share capital

The Group and the Bank

	31 December 2020	31 December 2019
Domestic listed RMB ordinary share (A shares)	29,352	29,352

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

(2) As stated in Note V. 22 (21), the Bank made a public issuance of RMB 50 billion of A-share convertible corporate bonds in 2019 under the approval of CBIRC and other relevant regulatory authorities. As at 31 December 2020, a total of RMB 900,000 covertible corporate bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 60,496.

26 Other equity instrument

The Group and the Bank

	Note	31 December 2020	31 December 2019
Other equity instruments included in the tier 1 capital of the Bank-Equity of SPDB convertible corporate bonds	(1)	2,782	2,782
Other equity instruments included in other tier 1 capital of the Bank	(2)	109,909	59,916
Total		112,691	62,698

(1) As at 31 December 2020, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2019: RMB 2,782 million), see Note V.22(21) for specific information.

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

Name of other equity instruments outstanding	Dividend rate	Issuance Price (Yuan)	Number	Opening amount	Movements during the year	Closing amount	Maturity date or renewals	Conversion (Yes/No)
Pufayou 1(a)	6% for the first five years; 5.58% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
Pufayou 2(a)	5.5% for the first five years; 4.81% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
19 SPDB Perpetual bond(b)	4.73% for the first five years	100	300 million	30,000	-	30,000	No maturity date	No
20 SPDB Perpetual bond(b)	4.75% for the first five years	100	500 million	-	50,000	50,000	No maturity date	No
Less: Issue expenses				(84)	(7)	(91)		
Carrying amount				59,916	49,993	109,909		

(a) On 28 November 2014 and 6 March 2015, the Bank issued non-cumulative preference shares with a total par value of RMB 30,000 million. The proceeds after deducting transaction costs amounted to RMB 29,920 million and were recorded as other equity instruments. The Bank has the option to redeem part or all outstanding preference shares on any dividend payment date after five years from the issuance if certain conditions are met, under the approval obtained from the CBIRC. Holders of the preference shares have no right to require the Bank to redeem the outstanding preference shares. Dividends of the preference shares are payable in cash on annual basis at a fixed dividend rate which is adjusted every five years. The Bank at its discretion has the right not to declare and distribute the dividends of the preference shares in part or full.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 Capital reserves

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Share premium	81,690	81,689	81,690	81,689
Other capital surplus				
- Capital increase of subsidiaries	50	50	-	-
- Others	21	21	21	21
Total	81,761	81,760	81,711	81,710

28 Other comprehensive income

The Group

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

		For the year from 1 January 2019 to 31 December 2019					
	Opening balance of other comprehensive income attributable to the Bank's Shareholders	Transfer in before tax	Less: transfer out	Less: income tax	Attributable to the Bank after tax	Attributable to minority shareholders after tax	Ending balance of other comprehensive income attributable to the Bank's Shareholders
Items that may be reclassified to profit or loss							
Financial investments measured at FVOCI							
- Fair value changes	3,240	4,186	(1,878)	(546)	1,760	2	5,000
- Impairment allowance	689	806	(95)	(66)	645	-	1,334
Exchange differences from the translation of foreign operations	296	(41)	-	-	(41)	-	255
Cash flow hedge reserve	-	(2)	-	-	(1)	(1)	(1)
Item that will not be reclassified to profit or loss							
Changes in fair value of other equity instruments	434	326	-	(81)	245	-	679
	4,659	5,275	(1,973)	(693)	2,608	1	7,267

The Bank

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

	For the year from 1 January 2019 to 31 December 2019					
	Opening balance of other comprehensive income	Transfer in before tax	Less: transfer out	Less: income tax	after tax	Ending balance of other comprehensive income
Items that may be reclassified to profit or loss						
Financial investments measured at FVOCI						
- Fair value changes	3,536	3,621	(1,566)	(514)	1,541	5,077
- Impairment allowance	555	534	(95)	(110)	329	884
Exchange differences from the translation of foreign operations	102	(72)	-	-	(72)	30
Item that will not be reclassified to profit or loss						
Changes in fair value of other equity instruments	434	326	-	(81)	245	679
	4,627	4,409	(1,661)	(705)	2,043	6,670

29 Surplus reserves

The Group and The Bank

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

	1 January 2019	Addition	31 December 2019
Statutory reserve	22,206	-	22,206
Discretionary reserve	87,511	16,088	103,599
Total	109,717	16,088	125,805

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

30 General risk reserve

The Group

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

	1 January 2019	Addition	31 December 2019
General risk reserve	75,946	303	76,249

The Bank

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

	1 January 2019	Addition	31 December 2019
General risk reserve	74,900	-	74,900

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

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

31 Profit appropriations

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

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

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

(ii) Appropriate RMB 3.1 billion as general reserve;

(iii) The Bank declared and distributed cash dividends of RMB 6 Yuan (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution, amounting to RMB 17,611 million.

(2) Profit distribution for the year ended 31 December 2018

Pursuant to the approval at the Shareholders’ meeting on 24 April 2019, the Bank’s profit distribution plan for the year ended 31 December 2018 is as follows:

(i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 16,088 million;

(ii) The Bank declared and distributed cash dividends of RMB 3.50 Yuan (tax included) for every 10 shares to all shareholders based on the total share capital of 29,352,080,397 ordinary shares at the end of 2018, amounting to RMB 10,273 million.

(3) Dividend distribution for preference shares

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

On 28 February 2020, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 825 million in total (tax included) on 11 March 2020, which were calculated according to the coupon rate of Pufayou 2 (5.5%).

On 20 November 2019, the dividend distribution plan for Pufayou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 900 million in total (tax included) on 3 December 2019, which were calculated according to the rate of Pufayou 1 (6.0%).

On 1 February 2019, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 825 million in total (tax included) on 11 March 2019, which were calculated according to the rate of Pufayou 2 (5.5%).

(4) Interests payment of capital bonds with unfixed terms

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

32 Net interest income

	The Group		The Bank	
	2020	2019	2020	2019
Interest income				
Loans and advances to customers				
- Corporate loans	92,637	92,036	89,180	89,026
- Retail loans	113,497	113,458	112,607	112,648
- Discounted bills	9,853	10,094	9,852	10,091
Financial investments				
- debt investments	41,763	46,505	41,630	46,307
- other debt investments	20,642	16,615	20,301	16,360
Placements with banks and other financial institutions	7,327	8,117	7,408	8,328
Deposits with central bank	5,871	6,198	5,836	6,155
Deposits with banks and other financial institutions	2,080	2,775	1,974	2,613
Financial assets purchased under resale agreements	1,315	1,969	1,315	1,969
Subtotal	294,985	297,767	290,103	293,497
Interest expense				
Deposits from customers	(82,713)	(75,315)	(81,953)	(74,686)
Debt securities issued	(32,861)	(31,527)	(32,356)	(31,076)
Deposits from banks and other financial institutions	(24,373)	(29,392)	(24,519)	(29,575)
Borrowing from central bank	(8,009)	(6,741)	(7,989)	(6,727)
Financial assets sold under repurchase agreements	(4,902)	(4,715)	(4,902)	(4,715)
Placements from banks and other financial institutions	(3,546)	(5,554)	(2,022)	(4,176)
Subtotal	(156,404)	(153,244)	(153,741)	(150,955)
Net interest income	138,581	144,523	136,362	142,542

33 Net fee and commission income

	The Group		The Bank	
	2020	2019	2020	2019
Fee and commission income				
Custodian and other fiduciary activities commissions	15,415	11,556	11,822	8,091
Fees from bank cards	14,528	12,742	14,527	12,742
Agency commissions	5,078	2,723	5,078	2,722
Fees from investment banking activities	4,457	3,631	4,358	3,512
Credit commitment fees	2,223	2,154	2,221	2,152
Settlement and clearing fees	883	975	883	973
Others	1,673	1,742	1,269	1,323
Subtotal	44,257	35,523	40,158	31,515
Fee and commission expense	(10,311)	(10,749)	(10,409)	(10,818)
Net fee and commission income	33,946	24,774	29,749	20,697

34 Investment income

	The Group		The Bank	
	2020	2019	2020	2019
Financial investments:				
- Trading assets	15,320	11,341	14,134	10,956
- Debt investments	433	(309)	433	(309)
- Other debt investments	1,118	(144)	864	(456)
- Other equity investments	45	44	45	44
Gain on disposal of bills	1,623	2,022	1,623	2,022
Precious metals	1,640	349	1,640	349
Long-term equity investments accounted for using the equity method	146	171	130	158
Dividends from subsidiaries	-	-	243	129
Derivative financial instruments	(1,686)	(168)	(1,686)	(168)
Others	341	265	341	265
Total	18,980	13,571	17,767	12,990

35 Gains or losses from change of fair value

	The Group		The Bank	
	2020	2019	2020	2019
Derivative financial instruments	4,697	(1,366)	4,697	(1,364)
Hedged bonds	267	296	267	296
Loans and advances to customers measured at FVTPL	101	(54)	101	(54)
Trading assets	(545)	1,843	(1,968)	1,010
Precious metals	(2,485)	3,122	(2,485)	3,122
Others	185	(76)	185	(76)
Total	2,220	3,765	797	2,934

36 Foreign exchange gains

	The Group		The Bank	
	2020	2019	2020	2019
Gains or losses from investment in foreign exchange derivatives	309	481	309	481
Gains or losses from changes in fair values of foreign exchange derivatives	38	(1,880)	382	(1,880)
Others	(906)	1,711	(866)	1,727
Total	(215)	312	(175)	328

37 General and administrative expenses

	The Group		The Bank	
	2020	2019	2020	2019
Staff costs				
- Short-term employee benefits	23,266	22,781	21,532	21,174
- Post-employment benefits	1,768	2,189	1,733	2,100
- Other long-term employement benefits	2,475	2,045	2,349	1,989
Rental expenses	3,372	3,140	3,180	2,950
Depreciation and amortisation	3,212	2,869	2,950	2,533
Others	12,609	10,028	11,962	9,551
Total	46,702	43,052	43,706	40,297

38 Impairment on credit losses

	The Group		The Bank	
	2020	2019	2020	2019
Loans and advances to customers	75,022	69,947	73,524	68,319
Others	4,525	4,761	3,804	4,863
Total	79,547	74,708	77,328	73,182

39 Income tax expense

	The Group		The Bank	
	2020	2019	2020	2019
Current income tax expense	13,177	19,668	11,880	18,550
Deferred income tax expense	(5,488)	(9,357)	(5,181)	(9,213)
Total	7,689	10,311	6,699	9,337

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

	The Group		The Bank	
	2020	2019	2020	2019
Profit before income tax	66,682	69,817	61,875	65,784
Tax calculated at statutory tax rate of the PRC	16,671	17,454	15,468	16,446
Tax effect from other various tax rates adopted by subsidiaries	(126)	(46)	-	-
Tax effect of non-deductible expenses	497	289	348	214
Tax effect of non-taxable income	(9,486)	(7,716)	(9,251)	(7,627)
Income tax adjustments in prior years	133	330	134	304
Income tax expense	7,689	10,311	6,699	9,337

40 Earnings per share

(1) Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing net profit for the year attributable to the holders of the Bank's share capital by the weighted average number of share capital outstanding during the year. The conversion feature of preference shares is considered to fall within the category of contingently issuable share capital. As at 31 December 2020, the triggering events of share conversion did not occur. Therefore, the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share in the current period.

The Group

	2020	2019
Profit for the year attributable to shareholders of the Bank	58,325	58,911
Less: Profit for the year attributable to preference shareholders of the Bank	(1,662)	(1,725)
Payment of interests of non-fixed term capital bonds	(1,419)	-
Profit for the year attributable to the holders of the Bank's share capital	55,244	57,186
Weighted average number of outstanding share capital (million)	29,352	29,352
Basic EPS (RMB)	1.88	1.95

The Bank declared cash dividends of RMB 1,662 million for preference share and interests payment of RMB1,419 million for Perpetual bondin this year. For the purpose of calculating EPS, dividends on preference shares declared and interets of Perpetual bondin respect of the year have been deducted from the profit attributable to ordinary shareholders of the Bank.

(2) Diluted earnings per share

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

The Group

	2020	2019
Net profit for the current year attributable to shareholders of the Bank	55,244	57,186
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	1,377	243
Net profit for the current year attributable to ordinary shareholders of the Bank	56,621	57,429
Weighted average number of outstanding ordinary shares (million)	29,352	29,352
Add: Assume that convertible corporate bonds are entirely converted to weighted average number of ordinary shares (million)	3,322	554
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	32,674	29,906
Diluted earnings per share (RMB)	1.73	1.92

41 Cash and cash equivalents

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash	5,356	6,112	5,214	5,964
Surplus resrves with central bank	143,283	105,063	140,336	102,311
Deposits with banks and other financial institutions with original maturities no more than three months	105,960	62,816	101,619	58,326
Placements with banks and other financial institutions with original maturities no more than three months	27,524	29,090	28,951	29,233
Financial assets purchased under resale agreements with original maturities no more than three months	36,495	2,003	36,495	2,003
Total	318,618	205,084	312,615	197,837

42 Supplementary information of statement of cash flow

(a) Supplementary information of statement of cash flow

Reconciliation of net profit to cash flows from operating activities:

	The Group		The Bank	
	2020	2019	2020	2019
Net profit	58,993	59,506	55,176	56,447
Add: Impairment on credit losses	79,547	74,708	77,328	73,182
Impairment losses on other assets	6	(1)	3	(1)
Depreciations and amortizations	4,023	3,613	2,950	2,533
Net gains from disposal of fixed assets, intangible assets and other long-term assets	8	(1,470)	8	(1,470)
Net gains from changes in fair value	(2,220)	(3,765)	(797)	(2,934)
Foreign exchange losses/(gains)	(382)	1,880	(382)	1,880
Interest expenses on debt securities issued	32,055	30,741	31,550	30,289
Interest income from investment in debt instruments	(61,795)	(62,287)	(61,321)	(61,834)
Net investment gains	(14,215)	(6,892)	(14,160)	(6,444)
Increase in deferred tax assets	(5,543)	(9,348)	(5,181)	(9,213)
Increase/(decrease) in deferred tax liabilities	55	(9)	-	-
Increase in operating receivables	(663,885)	(628,202)	(637,143)	(619,209)
Increase in operating payables	699,738	472,898	666,241	472,496
Net cash flows used in operating activities	126,385	(68,628)	114,272	(64,278)

(b) Changes in cash and cash equivalents

	The Group		The Bank	
	2020	2019	2020	2019
Cash and cash equivalents at the end of the year	318,618	205,084	312,615	197,837
Cash and cash equivalents at the beginning of the year	(205,084)	(187,644)	(197,837)	(183,454)
Net increase in cash and cash equivalents	113,534	17,440	114,778	14,383

43 Transfers of financial assets

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

Assets backed securitization transaction

For the year ended 31 December 2020, the Group transferred financial assets amounted to RMB 23,948 million through assets backed securitization transactions, and all have met the requirement of derecognition (For the year ended 31 December 2019, the Group transferred financial assets amounted to RMB 28,930 million through assets backed securitization transactions, and all have met the requirement of derecognition).

As at 31 December 2020, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 22,276 million (31 December 2019: RMB 11,123 million) to securitised entities. The Group neither transfers nor retains substantially all of the risks and rewards related to ownership of the credit assets, but it retains control over the credit assets. The Group will recognise the assets on the balance sheet according to the degree of its continued involvement, and the rest will be derecognised. As at 31 December 2020, the assets value of the Group's continued recognition was RMB 2,639 million (31 December 2019: RMB 1,396 million).

Transfer of loans assets

For the year ended 31 December 2020, the Group directly transferred and derecognized a total amount of RMB 9,674 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition (For the year ended 31 December 2019, the Group directly transferred and derecognized a total amount of RMB 24,189 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition).

Securities lending transaction

In the securities lending transaction, the counterparty may sell or re-use the above securities in the condition that no default exists, but at the same time bear the obligation to return the above securities on the expiration date specified in the agreement. For the above business, the Group believes that the Group retains most of the risks and rewards of the relevant securities and therefore does not derecognize the relevant securities. As at 31 December 2020, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 39,680 million (31 December 2019: RMB 59,540 million).

VI Interests in other entities

1 Interests in major subsidiaries

1.1 Major subsidiaries of the Group

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

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

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

1.2 Relevant information of major partly-owned subsidiaries

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

2 Interests in joint ventures and associates

2.1 General information of major joint ventures and associates

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

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

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

2.2 Key financial information of major joint ventures and associates

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

VII Involvement with unconsolidated structured entities

1 Structured entities sponsored by third party institutions in which the Group holds an interest.

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

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

	The Group	
Carrying amount	31 December 2020	31 December 2019
Trading assets		
Fund investments	428,491	359,823
Capital trust and asset management plans	14,739	60,531
ABS	459	-
Wealth management products	-	90
Other investments	5,971	7,034
Debt investments		
Capital trust and asset management plans	360,756	368,384
ABS	280	1,361
Other debt investments		
Capital trust and asset management plans	44,424	147
ABS	7,818	9,093
Other equity investments		
Other equity investments	817	811

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

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

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, trust plan, fund investment and ABS. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2020, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2020, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, were RMB 1,345,500 million (31 December 2019: RMB 1,447,050 million) respectively.

During the year of 2020, the amount of the average exposure of financing transactions through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB 59 million (2019: RMB 31 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

As at 31 December 2020, the amount of assets held by the unconsolidated capital trust and asset management plans, which are sponsored by the Group, were RMB 470,837 million (31 December 2019: RMB 560,521 million) respectively.

As at 31 December 2020, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 369,633 million (31 December 2019: RMB 390,304 million) respectively.

As at 31 December 2020, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 108,034 million (31 December 2019: RMB 111,019 million) respectively.

3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2020

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB 65,445 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2019 but matured before 31 December 2019 was RMB 19,206 million).

The total amount of ABS issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB 625 million (there was no ABS issued by the Group after 1 January 2019 but matured before 31 December 2019).

There was no trust plans or investments in funds issued by the Group after 1 January 2020 and expired before 31 December 2020.

In 2020, the income earned by the Group in the above-mentioned structured entities is not significant (2019: not significant).

VIII SEGMENT REPORTING

Top management of the Group reviews the performance of the Bank's branches and subsidiaries in different economic regions from geographic perspective. The branches and subsidiaries of the Bank mainly provide services to local customers domiciled in respective geographic areas, therefore operating segments are analysed principally based on the location of the assets. The operating segments' principal income are mainly from various commercial and investment banking services, including deposits and loans, discounted bills, trade finance, inter-bank money market and investments etc.

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

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

In accordance with the Outline for the Integrated Development of the Yangtze River Delta issued by the State Council, the Group has reclassified the branches in Anhui from Central China to Yangtze River Delta and restated the corresponding comparatives figures.

In addition, the Group has adjusted the comparative figures in accordance with this classification based on the profit or loss distribution plan of the relevant business in each region during the year.

	For the year from 1 January 2020 to 31 December 2020									
	Headquarter	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
I. Operating income	86,386	38,009	12,736	15,574	15,573	9,724	4,858	13,524	-	196,384
Interest income	258,764	147,720	45,593	56,612	44,048	37,794	15,584	10,645	(321,775)	294,985
Including:										
External interest income	115,814	61,512	22,009	25,674	27,827	23,303	9,089	9,757	-	294,985
Internal interest income	142,950	86,208	23,584	30,938	16,221	14,491	6,495	888	(321,775)	-
Interest expense	(213,208)	(111,269)	(35,038)	(42,536)	(28,678)	(28,914)	(11,280)	(7,256)	321,775	(156,404)
Including:										
External interest expense	(62,735)	(38,580)	(11,846)	(17,395)	(8,652)	(6,556)	(4,117)	(6,523)	-	(156,404)
Internal interest expense	(150,473)	(72,689)	(23,192)	(25,141)	(20,026)	(22,358)	(7,163)	(733)	321,775	-
Net fee and commission income	24,608	1,176	1,703	955	(154)	516	529	4,613	-	33,946
Investment income	15,455	364	385	392	300	240	120	1,724	-	18,980
Other income	31	39	57	23	12	89	4	465	-	720
Net gains arising from financial investments	1,182	(8)	(20)	(12)	13	(19)	(119)	1,203	-	2,220
Foreign exchange income	(569)	(74)	52	81	19	19	18	239	-	(215)
Other operating income	139	34	6	62	14	5	9	1,891	-	2,160
Impairment losses	(16)	27	(2)	(3)	(1)	(6)	(7)	-	-	(8)
II. Operating expense	(50,112)	(15,613)	(4,118)	(8,749)	(12,956)	(27,343)	(3,329)	(7,428)	-	(129,648)
Taxes and surcharges	(552)	(531)	(193)	(221)	(238)	(214)	(81)	(87)	-	(2,117)
General administrative expenses	(15,998)	(10,081)	(3,209)	(4,632)	(3,515)	(3,854)	(1,766)	(3,647)	-	(46,702)
Impairment on credit losses	(33,555)	(4,969)	(711)	(3,858)	(9,200)	(23,265)	(1,480)	(2,509)	-	(79,547)
Impairment losses on other assets	-	3	-	(1)	-	(5)	-	(3)	-	(6)
Other operating expense	(7)	(35)	(5)	(37)	(3)	(5)	(2)	(1,182)	-	(1,276)
III.Operating profit/(losses)	36,274	22,396	8,618	6,825	2,617	(17,619)	1,529	6,096	-	66,736
Add: Non-operating income	35	35	4	15	11	12	8	17	-	137
Less: Non-operating expenses	(53)	(27)	(4)	(13)	(12)	(13)	(13)	(56)	-	(191)
IV.Total segment profit/(losses) before tax	36,256	22,404	8,618	6,827	2,616	(17,620)	1,524	6,057	-	66,682

	31 December 2020									
	Headquarter	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	622,092	1,365,333	491,756	562,422	519,030	525,264	179,284	165,749	(702)	4,430,228
Total segment assets	4,104,124	2,191,950	635,658	899,731	566,807	573,724	228,942	372,540	(1,623,258)	7,950,218
Deposits from customers	121,828	1,739,815	535,105	680,717	423,622	340,547	188,168	94,352	(1,747)	4,122,407
Total segment liabilities	3,505,525	2,169,235	626,911	892,700	564,088	591,531	227,416	350,253	(1,623,258)	7,304,401
Segment net position of assets and liabilities	598,599	22,715	8,747	7,031	2,719	(17,807)	1,526	22,287	-	645,817

	For the year from 1 January 2019 to 31 December 2019									
	Headquarter	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
I. Operating income	88,371	34,595	11,266	15,140	14,181	10,939	4,844	11,352	-	190,688
Interest income	269,644	137,625	39,646	52,017	38,564	37,235	15,623	11,864	(304,451)	297,767
Including:										
External interest income	133,438	58,206	18,385	22,392	22,510	22,942	9,175	10,719	-	297,767
Internal interest income	136,206	79,419	21,261	29,625	16,054	14,293	6,448	1,145	(304,451)	-
Interest expense	(211,799)	(103,647)	(30,540)	(38,910)	(25,428)	(27,415)	(11,447)	(8,509)	304,451	(153,244)
Including:										
External interest expense	(65,241)	(35,264)	(10,710)	(16,045)	(8,043)	(6,343)	(4,093)	(7,505)	-	(153,244)
Internal interest expense	(146,558)	(68,383)	(19,830)	(22,865)	(17,385)	(21,072)	(7,354)	(1,004)	304,451	-
Net fee and commission income	15,527	(226)	1,765	1,238	671	828	484	4,487	-	24,774
Investment income	10,296	1,094	289	551	354	201	119	667	-	13,571
Other income	15	47	42	59	9	52	5	256	-	485
Net gains arising from financial investments	2,578	154	5	-	(24)	7	39	1,006	-	3,765
Foreign exchange income	480	(500)	55	93	23	26	20	115	-	312
Other operating income	154	43	6	96	14	5	4	1,466	-	1,788
Impairment losses	1,476	5	(2)	(4)	(2)	-	(3)	-	-	1,470
II. Operating expense	(50,528)	(12,425)	(7,573)	(17,099)	(8,752)	(14,054)	(4,469)	(5,924)	-	(120,824)
Taxes and surcharges	(508)	(529)	(158)	(193)	(196)	(202)	(81)	(79)	-	(1,946)
General administrative expenses	(14,081)	(9,425)	(3,300)	(4,190)	(3,328)	(3,665)	(1,702)	(3,361)	-	(43,052)
Impairment on credit losses	(35,872)	(2,304)	(4,112)	(12,576)	(5,224)	(10,186)	(2,686)	(1,748)	-	(74,708)
Impairment losses on other assets	-	(6)	2	-	-	3	2	-	-	1
Other operating expense	(67)	(161)	(5)	(140)	(4)	(4)	(2)	(736)	-	(1,119)
III.Operating profit/(losses)	37,843	22,170	3,693	(1,959)	5,429	(3,115)	375	5,428	-	69,864
Add: Non-operating income	25	28	4	12	16	10	7	4	-	106
Less: Non-operating expenses	(13)	(49)	(13)	(23)	(12)	(12)	(5)	(26)	-	(153)
IV.Total segment profit/(losses) before tax	37,855	22,149	3,684	(1,970)	5,433	(3,117)	377	5,406	-	69,817

	31 December 2019									
	Headquarter	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	627,975	1,139,590	399,324	477,637	457,269	490,269	185,552	154,699	(1,565)	3,930,750
Total segment assets	3,284,081	1,896,919	519,156	805,725	524,440	549,913	230,223	325,114	(1,129,642)	7,005,929
Deposits from customers	157,228	1,469,865	426,262	641,551	401,679	304,583	160,601	104,653	(4,580)	3,661,842
Total segment liabilities	2,775,455	1,867,943	515,452	807,559	519,004	553,374	229,568	306,165	(1,129,642)	6,444,878
Segment net position of assets and liabilities	508,626	28,976	3,704	(1,834)	5,436	(3,461)	655	18,949	-	561,051

IX CONTINGENCIES AND COMMITMENTS

1 Credit commitments

The Group's credit commitments are listed as follows:

	31 December 2020	31 December 2019
Bank acceptance bills	553,527	473,598
Letters of credit issued	176,517	162,473
Letters of guarantee issued	112,564	88,940
Credit cards and loan commitments	525,923	457,683
Total	1,368,531	1,182,694

2 Commitment on redemption of certificate treasury bonds

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

As at 31 December 2020, the outstanding principal value of the treasury bonds sold by the Group amounted to RMB 4,025 million (31 December 2019: RMB 4,401 million).

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

3 Operating lease commitments

According to the lease contract terms, the minimum lease payment commitment of the Group is as follows:

	31 December 2020	31 December 2019
Within 1 year	2,908	2,745
1 to 2 years	2,262	2,021
2 to 3 years	1,719	1,513
Over 3 years	2,880	2,964
Total	9,769	9,243

4 Capital commitments

As at 31 December 2020, the major capital commitments the Group had signed but not paid amounted to RMB 3,897 million (31 December 2019: RMB 3,640 million). Additionally, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had signed but not paid was RMB 6,218 million (31 December 2019: RMB 3,778 million).

As at 31 December 2020, the major capital commitments the Group had approved but not signed amounted to RMB 3,595 million (31 December 2019: RMB 292 million). Additionally, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had approved but not signed was RMB 177 million (31 December 2019: RMB 3,993 million).

5 Legal proceedings

As at 31 December 2020, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 148 and 126, respectively. The corresponding amount involved was about RMB 1,746 million and RMB 677 million, respectively. Except for the loss provision made for particular cases in the amount of RMB 520 million, the possibility of loss for other cases were assessed as not large.(As at 31 December 2019, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 153 and 92, respectively. The corresponding amount involved was about RMB 2,216 million and RMB 220 million, respectively. The Group assessed the possibility of loss from reparations being not large, so no provision was accrued during the year).

X FIDUCIARY BUSINESSES

The Group provides safe-keeping and entrusted loan businesses to independent third party customers. The assets arising from these businesses are not recorded on the Group's balance sheet. As at 31 December 2020, the balance of entrusted loan business was RMB 107,147 million (As at 31 December 2019: RMB 137,221 million).

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

As at 31 December 2020 and 31 December 2019, major shareholders holding more than 5% ordinary shares of the Bank are as follows:

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

2 Subsidiaries

For general information of the Group's subsidiaries, please refer to Note VI.1 "Interests in other entities".

3 Joint ventures and associates

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

4 Other major related parties

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

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

5 Transactions and balances with related parties

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

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2020 to 31 December 2020 are listed below:							
Interest income	-	-	66	53	1	120	0.04%
Interest expense	(643)	(61)	(1,038)	(336)	(1)	(2,079)	1.33%
Net Fee and commission income	-	359	20	22	-	401	0.91%
Investment income	-	146	-	-	-	146	0.77%
Gains or losses from change of fair value	-	1	-	(51)	-	(50)	-2.25%
Foreign exchange gains	-	(1)	-	75	-	74	-34.42%
Operating expenses	(7)	-	(218)	-	-	(225)	0.48%
Other comprehensive income	-	-	-	1	-	1	-0.03%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2020:							
Deposits with banks and other financial institutions	-	-	-	302	-	302	0.20%
Placements with banks and other financial institutions	-	-	2,356	1,316	-	3,672	1.57%
Loans and advances to customers	-	-	848	1,099	19	1,966	0.04%
Derivative financial assets	-	1	-	471	-	472	0.74%
Financial investments:							
- Other debt investments	-	-	-	446	-	446	0.08%
Long-term equity investments	-	2,401	-	-	-	2,401	100.00%
Deposits from banks and other financial institutions	-	(1,353)	(40,125)	(6,016)	-	(47,494)	4.02%
Placements from banks and other financial institutions	-	-	(3,009)	-	-	(3,009)	1.65%
Derivative financial liabilities	-	-	-	(357)	-	(357)	0.58%
Deposits from customers	(6,533)	(551)	(45,166)	(8,924)	(33)	(61,207)	1.48%
Significant off-balance item at 31 December 2020							
Letters of guarantee issued	-	-	15	-	-	15	0.01%
Credit cards commitments	-	-	-	-	15	15	0.01%
Fiduciary businesses	-	-	97	1,600	-	1,697	1.58%
Guarantees provided for credit business	-	2	2,371	963	-	3,336	0.12%

Note (1): As at 31 December 2020, key management of the Bank possessed a total number of 855,100 shares of common stock issued by the Bank.

Note (2): On 31 December 2020, Shanghai International Group Co., Ltd. and its subsidiaries hold a total of 8.69% of shares of convertible corporate bonds issued by the Bank and China Mobile Group Guangdong Co., Ltd., directly holds 18.17% of shares of convertible corporate bonds issued by the Bank.

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2019 to 31 December 2019 are listed below:							
Interest income	-	-	366	43	1	410	0.15%
Interest expense	(349)	(22)	(1,535)	(294)	(1)	(2,201)	1.44%
Net Fee and commission income	-	195	18	20	-	233	0.46%
Investment income	-	262	-	-	-	262	1.93%
Gains or losses from change of fair value	-	-	-	104	-	104	2.76%
Foreign exchange gains	-	1	-	(1)	-	-	0.00%
Operating expenses	(17)	-	(256)	-	-	(273)	0.63%
Other comprehensive income	-	-	-	16	-	16	0.61%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2019:							
Placements with banks and other financial institutions	-	-	1,567	-	-	1,567	0.91%
Loans and advances to customers	-	-	491	877	30	1,398	0.04%
Derivative financial assets	-	1	-	540	-	541	1.40%
Financial investments:							
- Trading assets	-	-	-	916	-	916	0.18%
- Debt investments	-	-	-	40	-	40	0.00%
- Other debt investments							
Long-term equity investments	-	-	-	1,803	-	1,803	0.36%
Deposits from banks and other financial institutions	-	2,049	-	-	-	2,049	100.00%
Derivative financial liabilities	-	(1,981)	(20,585)	(10,771)	-	(33,337)	3.33%
Deposits from customers	-	-	-	(450)	-	(450)	1.08%
	(4,421)	(1,747)	(43,542)	(10,084)	(57)	(59,851)	1.63%
Significant off-balance item at 31 December 2019							
Letters of guarantee issued	-	-	2,529	-	-	2,529	2.84%
Letters of credit issued	-	6	44	-	-	50	0.03%
Credit cards commitments	-	-	-	-	24	24	0.01%

Note (1): As at 31 December 2019, key management of the Bank possessed a total number of 808,200 shares of common stock issued by the Bank.

Note (2): On 31 December 2019, Shanghai International Group Co., Ltd. and its subsidiaries hold a 14.66% of the convertible corporate bonds issued by the Bank and China Mobile Guangdong Co., Ltd., directly holds 18.17% of the convertible corporate bonds issued by the Bank.

6 Related parties that are controlled by the Bank

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

Balances at the year end:	31 December 2020	31 December 2019
Deposits with banks and other financial institutions	156	257
Placements with banks and other financial institutions	4,967	5,527
Loans and advances to customers	702	1,565
Deposits to and placements from banks and other financial institutions	10,155	8,076
Deposits from customers	1,747	4,580
Others	23	26

Transactions during the year:	2020	2019
Interest income from deposits from banks and other financial institutions	4	6
Interest income from placements from banks and other financial institutions	162	220
Interest income from loans and advances to customers	31	51
Interest expenses on deposits from banks and other financial institutions	250	271
Interest expenses on deposits from customers	68	78
Fee and commission income	66	88
Fee and commission expense	126	114
Other income	2	2

7 Compensation of key management personnel

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

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

	2020	2019
Compensation of key management personnel	32	36

The Compensation of key management personnel are remuneration without social insurance paid in 2020 to the directors, supervisor and senior management of the Bank in past 12 months or will do so in the next 12 months according to the relevant contract arrangement.

8 Transactions with the annuity plan

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

XII FINANCIAL RISK MANAGEMENT

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

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

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

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

1 Credit risk

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

(1) Credit risk management

(i) Loans

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

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

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

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

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

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

Collaterals or pledged assets	Maximum loan-to-value ratio
Time deposits	92% - 100%
Government bonds	90% - 100%
Financial bonds	95%
Corporate bonds (including financial institutions)	80%
Right to collect fees	60% - 70%
Franchise right	50%
Commercial property and standard plant	60%
Residential property	70%
Land tenure	50% - 60%

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

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

(ii) Bonds and other bills

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

(iii) Other financial assets measured at amortized cost

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

(iv) Inter-bank transactions

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

(v) Derivative financial instruments

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

(vi) Credit commitments

The primary purpose of credit commitments is to ensure that funds are available to customers as required. Letters to guarantee, bill acceptance and letters of credit are irrevocable commitment from the Group. The Group undertakes credit risks similar to loans and commits to pay third parties on behalf on customers or make payments in the event that customers cannot meet obligations to third parties. When the requested amount of credit commitment exceeds the original credit limit, margin deposits are required to mitigate the credit risk. The Group's potential credit exposure is equivalent to the total amount of credit commitments. In addition, cash outflows may occur when customers spend credit card and loan commitment granted by the Group in the future.

(vii) Trust plan

The main credit risk of the trust plan is the potential loss of fiduciary estate or inherent property when the counterparties fail, cannot or be unwilling to fulfil the contract commitments in the course of transactions. The Group strictly enforces the policy “pre-loan investigation, in-process review, post-lending inspection” over trust plan. In the design of the product trade structure, the Group introduces guarantee mechanism including financial institution credit, property mortgage, rights pledge to comprehensively manages risks through avoidance, prevention, dispersion, transfer and compensation, and disperses and transfers credit risks of financing entities to reduce risk exposure.

(2) Credit risk measurement

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

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

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

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

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

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

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

(3) ECL measurement

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

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

Stage 2 (significant increase in credit risk since initial recognition; and

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

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

Credit risk grading

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

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

Stage division

Significant increase in credit risk (“SICR”)

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

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

Quantitative criteria:

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

Qualitative criteria:

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

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

Upper limit:

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

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

Default and credit-impaired

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

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

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

Upper limit:

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

The criteria above have been applied to all financial instruments held by the Group and are consistent with internal credit risk management purposes. The default definition has

been consistently applied to establish models for the PD, Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's ECL measurement.

Explanation of parameters, assumptions and estimation techniques of ECL model

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

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

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

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

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

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

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

Forward-looking information incorporated in the ECL models

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

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

In addition to the base economic scenario, the Group has also set up other scenarios based on analysis of each major product type. The number and attributes of scenarios are reassessed at each reporting date. As at 31 December 2020 and 31 December 2019, the scenario weightings are determined by combination of statistical analysis and expert judgement, taking into account of the range of possible outcomes represented by scenarios. The Group adopts the base and lifetime PD with scenario weightings, along with qualitative and upper limit criteria to determine whether the credit risk has increased significantly. The determination of financial instrument stage indicates the measurement of the loss allowance at an amount equal to the 12-month or lifetime ECL accordingly. The Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

On 31 December 2020, the Group has taken the macroeconomic under the impact of COVID-19 into account when developing forward-looking macroeconomic indicators and economic scenario weighting.

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

Combination method for evaluation of expected credit risk

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

Corporate loans and financial investments

- Industry
- Collateral type

Retail loans

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

(4) Maximum exposure to credit risk

Financial assets and guarantee commitment subject to impairment

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

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	483,732	-	-	483,732
Deposits with banks and other financial institutions	151,796	-	-	151,796
Placements with banks and other financial institutions	234,131	-	-	234,131
Financial assets purchased under resale agreements	36,526	-	-	36,526
Loans and advances to customers measured at:				
- Amortized cost	3,863,316	101,305	24,819	3,989,440
- FVOCI	421,642	429	437	422,508
Financial investments				
- Debt investments	1,135,691	4,372	29,714	1,169,777
- Other debt investments	576,039	745	1,002	577,786
Other financial assets	79,696	357	1,043	81,096
Total	6,982,569	107,208	57,015	7,146,792

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	471,741	-	-	471,741
Deposits with banks and other financial institutions	103,725	30	-	103,755
Placements with banks and other financial institutions	172,607	-	-	172,607
Financial assets purchased under resale agreements	2,873	-	-	2,873
Loans and advances to customers measured at:				
- Amortized cost	3,373,475	116,975	24,185	3,514,635
- FVOCI	412,457	188	290	412,935
Financial investments				
- Debt investments	1,071,351	1,052	2,524	1,074,927
- Other debt investments	495,853	879	776	497,508
Other financial assets	60,496	1,152	711	62,359
Total	6,164,578	120,276	28,486	6,313,340

	31 December 2020 Maximum exposure to credit risk	31 December 2019 Maximum exposure to credit risk
Commitment and guarantee		
Bank acceptance notes	551,226	471,274
Letters of credit issued	176,235	162,001
Letters of guarantee issued	112,372	87,542
Credit cards and other commitments	523,418	455,179
Total	1,363,251	1,175,996

(5) Credit-impaired loans and advances to customers

The Group closely monitors collateral held for financial assets considered to be credit-impaired, because the Group is more likely to confiscate these collateral to reduce potential credit losses comparing to other collaterals. As at 31 December 2020, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 90,497 million (31 December 2019: RMB 83,999 million), in which the loans covered by collaterals are amounting to RMB 32,966 million (31 December 2019: RMB 30,551 million).

(6) Bonds and other investments

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

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

	31 December 2020			
Investments denominated in foreign currencies	Trading assets	Debt investments	Other debt investments	Total
AAA	74	-	2,942	3,016
AA	59	-	738	797
A and below A	582	1,588	42,723	44,893
Unrated-Bonds	1,825	4,771	28,531	35,127
	2,540	6,359	74,934	83,833

Investments denominated in RMB	31 December 2019			
	Trading assets	Debt investments	Other debt investments	Total
Medium or long term				
AAA	14,096	398,495	146,716	559,307
AA+ to AA-	442	23,730	5,135	29,307
A+ to A-	-	-	187	187
Short term				
A-1	2,126	-	966	3,092
Unrated-Bonds	111,284	651,488	274,233	1,037,005
	127,948	1,073,713	427,237	1,628,898

Investments denominated in foreign currencies	31 December 2019			
	Trading assets	Debt investments	Other debt investments	Total
AAA	1,819	31	324	2,174
AA	7	-	477	484
A and below A	2,540	324	18,873	21,737
Unrated-Bonds	494	859	50,597	51,950
	4,860	1,214	70,271	76,345

2 Market risk

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

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

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

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

(1) Currency risk

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

	31 December 2020				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	447,135	38,896	2,759	298	489,088
Deposits with banks and other financial institutions	61,729	66,191	8,977	14,899	151,796
Placements with banks and other financial institutions	161,749	63,313	7,719	1,350	234,131
Derivative financial assets	63,271	277	4	37	63,589
Financial assets purchased under resale agreements	36,502	24	-	-	36,526
Loans and advances to customers	4,261,041	129,477	25,326	14,384	4,430,228
Financial investments:					
- Trading assets	539,618	9,531	-	-	549,149
- Debt investments	1,163,418	6,224	-	135	1,169,777
- Other debt investments	502,852	66,770	4,666	3,498	577,786
- Other equity investments	5,835	-	-	-	5,835
Other financial assets	33,962	40,692	3,466	2,976	81,096
Total financial assets	7,277,112	421,395	52,917	37,577	7,789,001
Borrowing from central bank	274,346	-	-	-	274,346
Deposits from banks and other financial institutions	1,147,911	15,220	9,432	10,327	1,182,890
Placements from banks and other financial institutions	91,425	76,554	11,596	3,107	182,682
Financial liabilities at profit or loss	15,226	831	-	-	16,057
Derivative financial liabilities	59,832	1,196	61	57	61,146
Financial assets sold under repurchase agreement	221,122	11,224	-	-	232,346
Deposits from customers	3,868,117	227,133	19,312	7,845	4,122,407
Debt securities issued	1,102,174	34,464	3,774	241	1,140,653
Other financial liabilities	33,323	5,208	124	234	38,889
Total financial liabilities	6,813,476	371,830	44,299	21,811	7,251,416
Net position of financial instruments	463,636	49,565	8,618	15,766	537,585
Currency derivatives	40,562	(39,727)	6,546	(4,052)	3,329
Credit commitments	1,300,317	51,547	5,097	6,290	1,363,251

	31 December 2019				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	460,186	12,480	4,873	314	477,853
Deposits with banks and other financial institutions	48,914	47,585	1,378	5,878	103,755
Placements with banks and other financial institutions	117,756	44,961	9,512	378	172,607
Derivative financial assets	37,897	251	556	15	38,719
Financial assets purchased under resale agreements	2,873	-	-	-	2,873
Loans and advances to customers	3,785,846	108,185	25,685	11,034	3,930,750
Financial investments:					
- Trading assets	496,006	9,091	221	-	505,318
- Debt investments	1,073,713	577	606	31	1,074,927
- Other debt investments	427,237	64,544	2,498	3,229	497,508
- Other equity investments	5,794	-	-	-	5,794
Other financial assets	23,309	34,097	2,665	2,288	62,359
Total financial assets	6,479,531	321,771	47,994	23,167	6,872,463
Borrowing from central bank	233,423	-	-	-	233,423
Deposits from banks and other financial institutions	953,874	28,715	15,227	3,012	1,000,828
Placements from banks and other financial institutions	81,887	72,587	4,697	3,370	162,541
Financial liabilities at profit or loss	8,327	14,968	-	-	23,295
Derivative financial liabilities	40,378	560	558	7	41,503
Financial assets sold under repurchase agreement	213,340	14,243	-	-	227,583
Deposits from customers	3,425,104	204,740	25,181	6,817	3,661,842
Debt securities issued	968,868	33,937	697	-	1,003,502
Other financial liabilities	33,957	1,843	266	396	36,462
Total financial liabilities	5,959,158	371,593	46,626	13,602	6,390,979
Net position of financial instruments	520,373	(49,822)	1,368	9,565	481,484
Currency derivatives	(53,342)	56,955	1,222	(3,978)	857
Credit commitments	1,102,487	58,105	8,164	7,240	1,175,996

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

Net profit	31 December 2020		31 December 2019	
	Exchange rate fluctuation %		Exchange rate fluctuation %	
(Decrease)/increase	-1%	1%	-1%	1%
USD against RMB	(74)	74	(54)	54
Other currencies against RMB	(202)	202	(61)	61

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

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

(2) Interest rate risk

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

The Group determines the loan interest rate in accordance with the relevant provisions of the PBOC.

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

The Group mainly uses appropriate measurement methods and tools (such as repricing gap analysis, duration analysis, sensitivity analysis and scenario simulation) to measure and monitor the interest rate risk. During the reporting period, the Bank adhered to the neutral and prudent risk appetite for interest rate risk in the banking book, enhanced the research and judgment on domestic and foreign macro policies as well as monetary policies, carried out dynamic monitoring and forward-looking risk management based on interest rate liberalization, trends of interest rate curve and impacts of loan prime rate (hereinafter referred to as "LPR") reform; During the reporting period, the Group promoted LPR pricing in accordance with relevant regulations issued by PBOC, guided the adjustments of business scale and term structure based on risk management strategies as well as asset and liability business objectives through asset and liability active configuration tools and price tools, operated with procyclicality, maintained the interest rate risk indicators within the risk appetite of the Board of Directors and kept sustainable operation; Meanwhile, according to the LPR reform, the Group enhanced the research on the hedging tools of interest rate risk in the banking book, improve the hedging tool development of off-balance-sheet derivatives for the interest risk exposure.

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

	31 December 2020						
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	475,170	-	-	-	-	13,918	489,088
Deposits with banks and other financial institutions	109,527	8,828	32,982	-	-	459	151,796
Placements with banks and other financial institutions	35,738	68,293	105,937	22,210	-	1,953	234,131
Derivative financial assets	-	-	-	-	-	63,589	63,589
Financial assets purchased under resale agreements	36,495	24	-	-	-	7	36,526
Loans and advances to customers	1,210,020	453,250	1,367,398	1,178,360	205,829	15,371	4,430,228
Financial investments:							
Trading assets	17,690	11,188	19,821	19,292	12,500	468,658	549,149
Debt investments	68,004	78,127	126,051	510,316	371,286	15,993	1,169,777
Other debt investments	23,911	23,786	74,142	315,058	133,078	7,811	577,786
Other equity investments	-	-	-	-	-	5,835	5,835
Other financial assets	-	-	9,964	-	-	71,132	81,096
Total financial assets	1,976,555	643,496	1,736,295	2,045,236	722,693	664,726	7,789,001
Liabilities							
Borrowing from central bank	23,503	25,811	221,968	-	-	3,064	274,346
Deposits from banks and other financial institutions	764,606	215,349	200,003	-	-	2,932	1,182,890
Placements from banks and other financial institutions	98,718	43,694	33,688	5,944	225	413	182,682
Trading liabilities	-	-	-	-	-	16,057	16,057
Derivative financial liabilities	-	-	-	-	-	61,146	61,146
Financial assets sold under repurchase agreements	186,309	30,578	15,396	-	-	63	232,346
Deposits from customers	1,947,776	996,377	494,734	637,591	6	45,923	4,122,407
Debt securities issued	88,462	283,982	448,189	164,676	150,378	4,966	1,140,653
Other financial liabilities	4,866	1,144	893	-	-	31,986	38,889
Total financial liabilities	3,114,240	1,596,935	1,414,871	808,211	150,609	166,550	7,251,416
Total interest repricing gap	(1,137,685)	(953,439)	321,424	1,237,025	572,084	498,176	537,585

	31 December 2019						
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	457,557	-	-	-	-	20,296	477,853
Deposits with banks and other financial institutions	64,729	10,998	27,530	-	-	498	103,755
Placements with banks and other financial institutions	40,821	37,215	72,818	20,293	-	1,460	172,607
Derivative financial assets	-	-	-	-	-	38,719	38,719
Financial assets purchased under resale agreements	2,433	426	-	-	-	14	2,873
Loans and advances to customers	1,991,427	472,683	1,265,840	155,516	30,376	14,908	3,930,750
Financial investments:							
Trading assets	8,513	4,632	39,650	39,121	21,594	391,808	505,318
Debt investments	48,083	36,282	191,243	510,980	272,557	15,782	1,074,927
Other debt investments	4,144	10,748	57,516	277,470	140,382	7,248	497,508
Other equity investments	-	-	-	-	-	5,794	5,794
Other financial assets	-	-	11,858	-	-	50,501	62,359
Total financial assets	2,617,707	572,984	1,666,455	1,003,380	464,909	547,028	6,872,463
Liabilities							
Borrowing from central bank	6,880	10	223,799	-	-	2,734	233,423
Deposits from banks and other financial institutions	546,133	211,843	240,288	-	-	2,564	1,000,828
Placements from banks and other financial institutions	83,907	30,630	40,909	6,171	378	546	162,541
Trading liabilities	-	-	-	-	-	23,295	23,295
Derivative financial liabilities	-	-	-	-	-	41,503	41,503
Financial assets sold under repurchase agreements	182,515	24,038	20,920	-	-	110	227,583
Deposits from customers	2,188,505	422,188	492,649	524,303	208	33,989	3,661,842
Debt securities issued	87,959	221,984	451,899	88,965	147,819	4,876	1,003,502
Other financial liabilities	1,495	-	728	-	-	34,239	36,462
Total financial liabilities	3,097,394	910,693	1,471,192	619,439	148,405	143,856	6,390,979
Total interest repricing gap	(479,688)	(337,709)	195,263	383,941	316,504	403,172	481,484

Note: Financial assets listed as within 1 month include overdue amount at 31 December 2020 and 31 December 2019 (less provision for impairment).

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

	31 December 2020		31 December 2019	
	Interest rate fluctuation (Basis points)		Interest rate fluctuation (Basis points)	
	-100	+100	-100	+100
(Decrease)/increase in net profit	(3,885)	3,885	(2,112)	2,112
Increase/(decrease) in other comprehensive income under equity	12,345	(11,554)	14,327	(13,392)

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

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

  Based on the assumptions, the actual change in net profit may be different from the sensitivity analysis results.

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

3 Liquidity risk

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

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

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

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

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

	31 December 2020							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets								
Cash and deposits with central bank	149,819	-	-	-	-	-	339,269	489,088
Deposits with banks and other financial institutions	103,841	14,792	33,773	-	-	-	-	152,406
Placements with banks and other financial institutions	-	99,650	114,072	23,308	-	-	-	237,030
Financial assets purchased under resale agreements	-	36,531	-	-	-	-	-	36,531
Loans and advances to customers	-	1,086,568	1,583,741	1,299,419	1,370,669	52,444	-	5,392,841
Financial investments:								
Trading assets	461,322	26,990	21,519	40,799	16,723	4,839	7,336	579,528
Debt investments	-	135,900	153,363	614,784	449,321	42,730	-	1,396,098
Other debt investments	-	43,087	89,221	364,340	151,446	1,005	-	649,099
Other equity investments	-	-	-	-	-	-	5,835	5,835
Other financial assets	72,674	-	-	-	-	2,316	10,480	85,470
Total financial assets	787,656	1,443,518	1,995,689	2,342,650	1,988,159	103,334	362,920	9,023,926
Liabilities								
Borrowing from central bank	-	50,915	228,531	-	-	-	-	279,446
Deposits from banks and other financial institutions	631,962	351,173	204,308	-	-	-	-	1,187,443
Placements from banks and other financial institutions	-	143,193	33,981	6,349	279	-	-	183,802
Trading liabilities	15,032	-	63	316	646	-	-	16,057
Financial assets sold under repurchase agreements	-	217,117	15,501	-	-	-	-	232,618
Deposits from customers	1,953,776	1,025,276	517,063	732,241	7	-	-	4,228,363
Debt securities issued	-	371,987	470,172	203,787	179,193	-	-	1,225,139
Other financial liabilities	29,895	5,103	1,197	2,156	573	-	-	38,924
Total financial liabilities	2,630,665	2,164,764	1,470,816	944,849	180,698	-	-	7,391,792
Net liquidity	(1,843,009)	(721,246)	524,873	1,397,801	1,807,461	103,334	362,920	1,632,134
Derivative financial instruments								
- Inflow	-	200,410	131,818	47,467	42	-	-	379,737
- Outflow	-	199,590	130,508	47,240	156	-	-	377,494
Net value of derivative financial instruments	-	820	1,310	227	(114)	-	-	2,243
Credit commitments	471,703	311,621	544,221	38,179	2,807	-	-	1,368,531

	31 December 2019							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets								
Cash and deposits with central bank	113,420	-	-	-	-	-	364,433	477,853
Deposits with banks and other financial institutions	58,646	17,501	31,675	-	-	-	-	107,822
Placements with banks and other financial institutions	-	68,596	84,066	23,319	-	-	-	175,981
Financial assets purchased under resale agreements	-	2,878	-	-	-	-	-	2,878
Loans and advances to customers	-	928,356	1,541,022	1,160,732	1,201,250	62,430	-	4,893,790
Financial investments:								
Trading assets	386,666	12,683	41,829	78,364	26,497	4,293	5,142	555,474
Debt investments	-	88,640	220,592	604,506	313,863	7,270	-	1,234,871
Other debt investments	-	40,423	70,902	318,657	160,972	244	-	591,198
Other equity investments	-	-	-	-	-	-	5,794	5,794
Other financial assets	47,472	-	-	-	-	2,534	12,353	62,359
Total financial assets	606,204	1,159,077	2,002,439	2,185,578	1,702,582	76,771	387,722	8,108,020
Liabilities								
Borrowing from central bank	-	7,109	231,185	-	-	-	-	238,294
Deposits from banks and other financial institutions	328,115	432,812	244,886	-	-	-	-	1,005,813
Placements from banks and other financial institutions	-	114,019	43,090	6,399	477	-	-	163,985
Trading liabilities	21,393	-	114	1,214	574	-	-	23,295
Financial assets sold under repurchase agreements	-	206,788	21,120	-	-	-	-	227,908
Deposits from customers	1,552,581	1,073,724	566,834	547,530	247	-	-	3,740,916
Debt securities issued	-	300,735	472,658	126,479	165,821	-	-	1,065,693
Other financial liabilities	31,284	297	1,269	3,206	446	-	-	36,502
Total financial liabilities	1,933,373	2,135,484	1,581,156	684,828	167,565	-	-	6,502,406
Net liquidity	(1,327,169)	(976,407)	421,283	1,500,750	1,535,017	76,771	387,722	1,605,614
Derivative financial instruments								
- Inflow	-	163,350	209,554	50,990	27	-	-	423,921
- Outflow	-	164,686	211,447	50,829	82	-	-	427,044
Net value of derivative financial instruments	-	(1,336)	(1,893)	161	(55)	-	-	(3,123)
Credit commitments	432,004	277,360	424,134	48,272	924	-	-	1,182,694

4 Fair value of financial instruments

(1) Fair value hierarchy

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

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

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

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

(2) Financial instruments not measured at fair value

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

The book value and corresponding fair value of financial investment not measured at fair value (financial investment measured at amortized cost) and bonds issued as at 31 December 2020 and 31 December 2019 are listed in the following table.

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

	31 December 2019				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Debt investments	1,074,927	-	804,624	282,208	1,086,832
Financial liabilities:					
Debt securities issued	1,003,502	-	1,012,359	-	1,012,359

(i) Debt investments

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

(ii) Debt securities issued

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

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

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

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

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

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Trading assets				
- Fund	358,371	-	2,485	360,856
- Fund trust and asset management plan	-	17,273	48,040	65,313
- Bonds	2,310	60,572	407	63,289
- Equity	2,687	-	1,619	4,306
- Interbank Certificates of Deposit	-	4,424	-	4,424
- Wealth management products	-	-	90	90
- ABS	-	6	-	6
- Other	-	-	7,034	7,034
Other debt investments				
- Bonds	52,676	421,261	-	473,937
- Interbank Certificates of Deposit	-	11,653	-	11,653
- ABS	-	9,093	-	9,093
- Fund trust and asset management plan	-	344	2,481	2,825
Other equity investments				
- Equity	397	-	4,586	4,983
- Other equity investments	-	-	811	811
Loans and advances to customers:				
FVOCI				
- Discounted bills	-	412,900	-	412,900
- Trade financing	-	35	-	35
FVTPL				
- Discounted bills	-	2,080	-	2,080
- Trade financing	-	1,100	-	1,100
Derivative financial assets	-	38,719	-	38,719
Total financial assets	416,441	979,460	67,553	1,463,454
Derivative financial liabilities	-	41,503	-	41,503
Trading liabilities				
- Financial liabilities related to precious metals	18,464	-	-	18,464
- Interest of other unitholders in consolidated structured entities	2,929	45	1,857	4,831
Total financial liabilities	21,393	41,548	1,857	64,798

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

(i) Level 2 Financial Instruments

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

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

(ii) Level 3 Financial Instruments

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

	Trading assets	Other debt investments	Other equity investments	Trading liabilities	Total
1 January 2020	59,675	2,481	5,397	(1,857)	65,696
Additions	3,665	228	512	(1,313)	3,092
Disposals and settlements	(41,243)	(1,965)	(45)	1,652	(41,601)
Total gains/(losses) recorded in profit or loss	330	266	45	39	680
Total gains/(losses) recorded in other comprehensive income	-	4	(449)	-	(445)
31 December 2020	22,427	1,014	5,460	(1,479)	27,422
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2020 for the positions held at 31 December 2020	(843)	-	-	14	(829)

	Trading assets	Other debt investments	Other equity investments	Trading liabilities	Total
1 January 2019	62,343	1,213	3,640	(9,282)	57,914
Additions	20,152	3,048	1,431	(819)	23,812
Disposals and settlements	(23,946)	(2,124)	(44)	8,371	(17,743)
Total gains/(losses) recorded in profit or loss	1,126	342	44	(127)	1,385
Total gains/(losses) recorded in other comprehensive income	-	2	326	-	328
31 December 2019	59,675	2,481	5,397	(1,857)	65,696
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2019 for the positions held at 31 December 2019	(756)	-	-	(22)	(778)

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

31 December 2020	Fair value	Valuation method	Unobservable inputs
Financial investment:			
Trading assets			
- Fund trust and asset management plan	10,997	Income approach	Discount rate
	806	Refer to recent transactions	NA
- Equity	1,325	Income approach	Discount rate
	2,958	Refer to recent transactions	NA
- Bonds	298	Income approach	Discount rate
- Wealth management products	72	Income approach	Discount rate
- Other	5,971	Refer to recent transactions	NA
	22,427		
Other debt investments			
- Fund trust and asset management plan	1,014	Income approach	Discount rate
Other equity investments			
- Equity	1,657	Refer to recent transactions	NA
	2,860	Market approach	Liquidity discount P/B ratio
	126	Market approach	Liquidity discount P/E ratio
- Other equity investments	50	Market approach	Liquidity discount P/B ratio
	767	Refer to recent transactions	NA
	5,460		
Trading liabilities			
- Interest of other unit holders in consolidated structured entities	1,479	Note 1	Note 1

31 December 2019	Fair value	Valuation method	Unobservable

			inputs
Financial investment:			
Trading assets			
- Fund trust and asset management plan	47,227	Income approach	Discount rate
	813	Refer to recent transactions	NA
- Equity	1,619	Income approach	Discount rate
- Fund	2,485	Refer to recent transactions	NA
- Bonds	407	Income approach	Discount rate
- Wealth management products	90	Income approach	Discount rate
- Other	7,034	Refer to recent transactions	NA
	59,675		
Other debt investments			
- Fund trust and asset management plan	2,481	Income approach	Discount rate
Other equity investments			
- Equity	1,149	Refer to recent transactions	NA
	3,287	Market approach	Liquidity discount P/B ratio
	150	Market approach	Liquidity discount P/E ratio
- Other equity investments	763	Refer to recent transactions	NA
	48	Market approach	Liquidity discount P/B ratio
	5,397		
Trading liabilities			
- Interest of other unit holders in consolidated structured entities	1,857	Note 1	Note 1

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

5 Offsetting of financial assets and financial liabilities

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

As at 31 December 2020, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

6 Capital management

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

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

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

In China, commercial banks should meet the requirements for capital adequacy ratio set out in the Administrative Measures on the Capital of Commercial Banks (for Trial Implementation). Specifically, for domestic systematically important banks, capital adequacy ratio of core tier 1 capital shall not be less than 8.50%, capital adequacy ratio of tier 1 capital shall not be less than 9.50% and capital adequacy ratio shall not be less than 11.50%. For banks not classified as systemically important banks, capital adequacy ratio of core tier 1 capital shall not be less than 7.50%, capital adequacy ratio of tier 1 capital shall not be less than 8.50% and capital adequacy ratio shall not be less than 10.50%. PBOC and CBIRC have developed the Measures for the Assessment of Systemically Important Banks which shall be implemented with effect from 1 January 2021.

	The Group	
	31 December 2020	31 December 2019
Core tier 1 capital - net	519,268	485,260
Tier 1 capital - net	629,653	545,555
Capital - net	798,859	655,695
Total risk weighted assets	5,458,504	4,731,354
Core tier 1 capital adequacy ratio	9.51%	10.26%
Tier 1 capital adequacy ratio	11.54%	11.53%
Capital adequacy ratio	14.64%	13.86%

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

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

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

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

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

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

XIII ASSET PLEDGED

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

	31 December 2020	31 December 2019
Financial investments	491,435	473,693
Discounted bills	107,497	90,791
Bank loans	778	414
Total	599,710	564,898

XIV EVENTS AFTER THE REPORTING DATE

1 Profit distribution plan

The Bank convened the board of directors on 25 March 2021, approved the profit distribution plan for 2020 and submitted it to the annual general meeting for consideration and approval.

2 New standard on leases

The MOF has revised and issued the CAS No.21 – Leases in 2018 (“new leases standard”). The new leases standard will affect primarily the accounting for the Group's operating leases in which it is a lessee. Under new leases standard, the Group no longer distinguishes between operating leases and finance leases. The Group will account for all leases in a similar way to former finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the outstanding future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the Group will recognise interest expense accrued on the lease liability, and the depreciation of the right-of-use asset, instead of the former policy of recognising rental expenses incurred under operating leases on a systematic and reasonable abasis over the lease term. The application of the new accounting model is expected to lead to an increase in both the Group’s assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

The Group has applied new leases standard since 1 January 2021. As per the transition provisions of the new leases standard, the Group has elected to recognise the cumulative effect of adopting new leases standard as an adjustment to the opening balances of retained earnings and other related items in the financial statement in the initial year of application. Comparative information has not been restated. The Group expected that the adoption of the new leases standard will not have a material impact on retained earnings at 1 January 2021.

XV COMPARATIVE FIGURES

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

Shanghai Pudong Development Bank Co., Ltd.

Supplementary Information to the Financial Statements For the year ended 31 December 2020

(Expressed in millions of RMB unless otherwise stated)

I Earnings per share

In accordance with "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) (The Rules for the Information Disclosure and Reporting No.9) issued by the CSRC and relevant accounting standards, the Group's earnings per share are calculated as follows:

	2020	2019
Earnings per share before deducting extraordinary gains and losses		
- Net profit attributable to shareholders of the Bank	55,244	57,186
- Basic earnings per share attributable to shareholders of the Bank (in RMB)	1.88	1.95
- Diluted earnings per share attributable to shareholders of the Bank (in RMB)	1.73	1.92
Earnings per share after deducting extraordinary gains and losses		
- Net profit attributable to shareholders of the Bank	54,829	55,829
- Basic earnings per share attributable to shareholders of the Bank (in RMB)	1.87	1.90
- Diluted earnings per share attributable to shareholders of the Bank (in RMB)	1.72	1.87

II Return on equity

In accordance with "The Rules for the Information Disclosure and Reporting No.9" issued by the CSRC and relevant accounting standards, the Group's return on net assets are calculated as follows:

	2020	2019
Weighted net asset attributable to shareholders of the Bank	511,116	465,154
Before deducting extraordinary gains and losses		
- Net profit attributable to shareholders of the Bank	55,244	57,186
- Weighted average of return on net assets	10.81%	12.29%
After deducting extraordinary gains and losses		
- Net profit attributable to shareholders of the Bank	54,829	55,829
- Weighted average of return on net assets	10.73%	12.00%

III Extraoridinary gains and losses

Extraordinary gains and losses listed below are presented in accordance with Interpretive Pronouncement on the Preparation of Information Disclosure of Companies Issuing Public Shares No.1 – Extraordinary Gains and Losses(2008):

	2020	2019
Government grants	720	485
Profit arising from the disposal of fixed assets	(8)	1,470
Other non - operating expense	(54)	(47)
Tax effect	(179)	(488)
Total	479	1,420
Including:		
Net amount of extraordinary gains and losses affecting the net profit of the Bank's shareholders	415	1,357
Net amount of extraordinary gains and losses affecting the net profit of the Group's minority shareholders	64	63

Gains on fair value changes of financial assets and liabilities at fair value through profit and loss arising from the Group’s normal operations, and investment income from disposals of financial assets and liabilities at fair value through profit and loss and debt instruments measured at FVOCI are not disclosed as non-recurring gains or losses.

IV Leverage ratio

For more detailed information about leverage ratios, please refer to the column on investor relations at the Bank's website: www.spdb.com.cn.

V Regulatory capital

For more information about regulatory capital, please refer to the column on investor relations at the Bank's website: www.spdb.com.cn.

Shanghai Pudong Development Bank Co., Ltd.

Financial Statements and Auditor's Report
For the year ended 31 December 2020

English translation of the Financial Statements

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

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

Opinion

We have audited the financial statements of Shanghai Pudong Development Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 1 to 137, which comprise the consolidated and the Bank's statement of financial position as at 31 December 2020, the consolidated and the Bank's statement of profit or loss and other comprehensive income, the consolidated and the Bank's statement of changes in equity and the consolidated and the Bank's statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the consolidated and the Bank's financial positions at 31 December 2020 and of its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the the Ministry of Finance of the People's Republic of China.

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

<table>
<tr><td colspan="2">Measurement of expected credit losses ("ECL") for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments</td></tr>
<tr><td colspan="2">Refer to Notes II.4(8)(vi), III.13, III.14(b), III.26, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments involves significant management judgments.

The Group established internal controls for the ECL measurement.</td><td>Our audit procedures to assess ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments included the following:

• Understanding and evaluating the design and operating effectiveness of the key internal controls over financial reporting related to ECL measurement for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments:

- Understanding and evaluating the design and operating effectiveness of the key internal controls of the financial reporting process, including credit approval, recording, monitoring, periodic re-evaluation of credit grading, and the accrual of loss allowance; in particular, we assessed the design and operating effectiveness of the key internal controls over financial reporting related to the classification of loans by credit quality across all stages, financial investment at amortized cost, credit quality of financial guarantees and loan commitments;

- Understanding and evaluating the design and operating effectiveness of information system controls, including: general information technology control, completeness of key internal historical data, inter-system data transmission, mapping of parameters of ECL model, and system calculation logic of loss allowance for ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments, based on the works of our Information Technology Risk Management ("IRM") Specialists and Financial Risk Management ("FRM") Specialists;</td></tr>
</table>

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.26, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group assesses whether the credit risks of loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments have increased significantly since their initial recognition, and applies a three – stage impairment model to measure their ECL. For loans and advances to customers, financial investments at amortized cost and financial guarantees and loan commitments, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.	• Evaluating the reliability of ECL models and parameters used, including prudently evaluating probability of default, loss given default, exposure at default, discount rate, forwar adjustment and other adjustment factors, and evaluating the reasonableness of key management jugments involved, based on the work of FRM Specialists including whether the macro-economy condition under the impact of COVID-19 has been taken into account or not; • Evaluating the completeness and accuracy of key data used by the ECL models. For key internal data related to the original business files, we compared the respective amount of loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments used by the management to evaluate the loss allowances with the general ledger amounts, in order to assess the completeness of lists. Select samples and compare the information of the loans and advances to customers and financial investment at amortized cost, financial guarantees and loan commitments with relevant agreements and other relevant documents to assess the accuracy of the lists. For key external data, we compared it with public information to check its accuracy; • Evaluating key parameters involving subjective judgments by seeking evidence from external sources and comparing it with internal records including historical loss scenarios and security types. As part of these procedures, we inquired management about the reasons for modifictions of key estimates and parameters input, and assessed the consistency of judgement used by management;

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.26, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following: (1) Division of business operations sharing similar credit risk characteristics into the same group, selection of appropriate models and determination of relevant key parameters; (2) Criteria for determining a significant increase in credit risk, default and credit impairments; (3) Application of economic indicators for prospective measurement, economic scenarios and their respective weightings. The economic impacts of COVID-19 have increased the estimation uncertainties of the assumption related to accounting estimates.	• Comparing the predictive economic indicators used by the management to measure the ECL in the previous year with the actual situation of the current year to consider whether there are indicators of management bias; • For key internal data which was generated by the system calculation, we selected samples and compared the input data used in the system with the original business files to evaluate the accuracy of the data input. In addition, based on the work of IRM Specialists, we selected samples and tested the logic of preparing overdue information of loans and advances to customers; • Selecting samples to assess the reasonableness of management judgement on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. We analysed the loan portfolio by industry sector to select samples in industried sensitive to the current business cycle and regulatory policies. We also focused on loans with perceived higher risk and selected samples from non-performing loans, overdue but performing loans and borrowers with warning signs, adverse press coverage or split ratings. On the basis of sample selection, we reviewed the business documents, checked the overdue information, inquired customer managers about about the operation conditions of borrowers, checked the financial information of the borrower and searched for market information about the borrower's business and operation.

Key audit matters (continued)

Measurement of ECL for loans and advances to customers, financial investments at amortized cost, financial guarantees and loan commitments (continued)	
Refer to Notes II.4(8)(vi), III.13, III.14(b), III.26, VIII.1(1), VIII.1(3), VIII.1(4) and VIII.1(5) to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Measurement of ECL for loans and advances to customers, financial investment at amortized cost, financial guarantees and loan commitments is subject to inherent uncertainty and involves management judgments, and has an important influence on operation conditions and capital positions of the Group. In view of these reasons, we identified ECL measurement as a key audit matter.	• Performing credit reviews for the selected credit impaired loans and advances to customers and financial investment at amortized cost by assessing the forecast of recoverable cash flows through inquiry, applying professional judgment and performing independent research. We also evaluated the timing and realisation method of collaterals and considered other sources of repayment asserted by the management. We Assessed the consistency of the application of key assumptions made by the management and compared the assumptions with our data sources; • Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group; • According to the relevant accounting standards, evaluate the reasonableness of the information disclosure of financial statements in terms of loans and advances to customers, financial investments measured at amortised cost, financial guarantee contracts and loan commitments.

Key audit matters (continued)

Consolidation of structured entities	
Refer to Notes II.4(1) and III.36 to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an asset-backed security, a trust plan, an asset management plan or a securities investment fund.	Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following: • Making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • Selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected: - Inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; - Inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;

Key audit matters (continued)

Consolidation of structured entities (continued)	
Refer to Notes II.4(1) and III.36 to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.	• Selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected (continued): - Evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity; - Assessing management's judgement over whether the structured entity should be consolidated or not; • Evaluating the disclosures relating to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key audit matters (continued)

Assessment of the fair value of financial instruments	
Refer to Notes II.4(8), II.4(22) and VIII.4 to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • Assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data; • Engaging our Financial Risk Management specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation model of the Group with the industry-wide accepted valuation methodology, developing parallel models, obtaining inputs independently and verifying the inputs; • Assessing the appropriate application of fair value adjustment that form an integral part of fair values, inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and • Assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG Huazhen LLP

Beijing, the People's Republic of China

25 March 2021

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Statement of Profit or Loss
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group		The Bank	
		2020	2019	2020	2019
Interest income		294,985	297,767	290,103	293,497
Interest expense		(156,404)	(153,244)	(153,741)	(150,955)
Net interest income	III.1	138,581	144,523	136,362	142,542
Fee and commission income		44,257	35,523	40,158	31,515
Fee and commission expense		(10,311)	(10,749)	(10,409)	(10,818)
Net fee and commission income	III.2	33,946	24,774	29,749	20,697
Net trading profit or loss	III.3	17,620	15,864	15,051	14,664
Net gains or losses arising from financial investments	III.4	3,219	1,613	3,208	1,430
Other net operating income		3,055	3,729	729	2,027
Operating expenses	III.5	(50,425)	(46,318)	(46,097)	(42,757)
Impairment losses	III.6	(79,553)	(74,707)	(77,331)	(73,181)
Share of profits from associates and joint ventures		146	171	130	158
Profit before income tax		66,589	69,649	61,801	65,580
Income tax expense	III.7	(7,665)	(10,269)	(6,680)	(9,286)
Net profit		58,924	59,380	55,121	56,294
Net profit attributable to:					
Shareholders of the Bank		58,261	58,771	55,121	56,294
Non-controlling interests		663	609	-	-
Earnings per share attributable to the shareholders of the Bank:					
Basic earnings per share (expressed in RMB)	III.8	1.88	1.94		
Diluted earnings per share (expressed in RMB)	III.8	1.73	1.92		

The notes on pages 13 to 137 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Statement of Comprehensive Income
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	Note	The Group		The Bank	
		2020	2019	2020	2019
Net profit		58,924	59,380	55,121	56,294
Other comprehensive income	III.33				
Items that may be reclassified to profit or loss					
Changes in fair value of debt investments at fair value through other comprehensive income		(3,529)	1,762	(3,401)	1,541
Credit impairment allowance of debt investments at fair value through other comprehensive income		755	645	484	329
Cash flow hedge reserve		(4)	(2)	2	-
Exchange differences from the translations of foreign operations		(184)	(41)	(61)	(72)
Item that will not be reclassified to profit or loss					
Changes in fair value of equity investments at fair value through other comprehensive income		(345)	245	(345)	245
Other comprehensive income,net of tax		(3,307)	2,609	(3,321)	2,043
Total comprehensive income		55,617	61,989	51,800	58,337
Total comprehensive income attributable to:					
Shareholder of the Bank		54,970	61,379	51,800	58,337
Non-controlling interests		647	610	-	-

The notes on pages 13 to 137 form an intergral part of these financial statements.

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

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets					
Cash and deposits with central bank	III.9	489,088	477,853	484,262	472,824
Deposits and placements with banks and other financial institutions	III.10	385,927	276,362	382,406	274,033
Precious metals		44,969	30,870	44,969	30,870
Derivative financial assets	III.11	63,589	38,719	63,589	38,719
Financial assets purchased under resale agreements	III.12	36,526	2,873	36,526	2,873
Loans and advances to customers	III.13	4,430,228	3,930,750	4,339,333	3,857,413
Financial investments:	III.14				
-Financial investments at fair value through profit or loss		549,149	505,318	514,468	488,178
-Financial investments at amortized cost		1,169,777	1,074,927	1,167,536	1,072,249
-Financial investments at fair value through other comprehensive income		583,621	503,302	577,343	497,178
Investments in associates and joint ventures	III.15	2,401	2,049	2,127	1,841
Investments in controlled subsidiaries		-	-	24,307	24,307
Fixed assets	III.16	32,364	30,383	16,250	14,852
Intangible assets	III.17	10,523	10,357	8,234	8,067
Goodwill	III.18	6,981	6,981	-	-
Deferred income tax assets	III.19	52,358	45,709	51,049	44,763
Other assets	III.20	100,656	76,845	93,393	71,126
Total assets		7,958,157	7,013,298	7,805,792	6,899,293

The notes on pages 13 to 137 form an intergral part of these financial statements.

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

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Liabilities					
Borrowing from central bank		274,346	233,423	272,964	232,934
Deposits and placements from banks and other financial institutions	III.21	1,365,572	1,163,369	1,310,056	1,126,529
Financial liabilities at fair value through profit or loss	III.22	16,057	23,295	6,067	18,464
Derivative financial liabilities	III.11	61,146	41,503	61,137	41,501
Financial assets sold under repurchase agreements	III.23	232,346	227,583	225,425	227,583
Deposits from customers	III.24	4,122,407	3,661,842	4,090,341	3,634,003
Income tax payable		23,804	23,240	23,153	22,651
Debt securities issued	III.25	1,140,653	1,003,502	1,127,379	991,301
Deferred income tax liabilities	III.19	689	634	-	-
Provisions	III.26	5,280	6,698	5,276	6,697
Other liabilities	III.27	70,641	67,690	60,011	54,749
Total liabilities		7,312,941	6,452,779	7,181,809	6,356,412

The notes on pages 13 to 137 form an intergral part of these financial statements.

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

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Equity					
Share capital	III.28	29,352	29,352	29,352	29,352
Other equity instruments	III.29	112,691	62,698	112,691	62,698
Capital reserves	III.30	81,761	81,760	81,711	81,710
Surplus reserves	III.31	142,739	125,805	142,739	125,805
General risk reserve	III.32	79,640	76,249	78,000	74,900
Other reserves	III.33	3,976	7,267	3,349	6,670
Retained earnings	III.34	187,441	170,197	176,141	161,746
Equity attributable to the shareholders of the Bank		637,600	553,328	623,983	542,881
Non-controlling interests		7,616	7,191	-	-
Total equity		645,216	560,519	623,983	542,881
Total liabilities and equity		7,958,157	7,013,298	7,805,792	6,899,293

These financial statements were approved for issue by the Board of Directors of the Bank on 25 March 2021.

Chairman of the board of the directors:	President:	Chief Financial Officer:	Head of the finance and accounting department:

The notes on pages 13 to 137 form an intergral part of these financial statements.

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

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

The notes on pages 13 to 137 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's statement of Changes in Equity (continued)
as at 31 December 2019
(Expressed in millions of RMB unless otherwise stated)

	Equity attributable to the shareholders of the Bank									
	Ordinary Shares	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 1 January 2019	29,352	29,920	81,760	109,717	75,946	4,659	139,815	471,169	6,805	477,974
Net profit	-	-	-	-	-	-	58,771	58,771	609	59,380
Other comprehensive income	-	-	-	-	-	2,608	-	2,608	1	2,609
Total comprehensive income	-	-	-	-	-	2,608	58,771	61,379	610	61,989
Issurance of capital bonds with unfixed terms	-	29,996	-	-	-	-	-	29,996	-	29,996
Equity increase due to issurance of convertible bonds	-	2,782	-	-	-	-	-	2,782	-	2,782
Non-controlling interests change due to subsidiaries' capital increase	-	-	-	-	-	-	-	-	24	24
Appropriations to surplus reserves and general risk reserve	-	-	-	16,088	303	-	(16,391)	-	-	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(10,273)	(10,273)	-	(10,273)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,725)	(1,725)	-	(1,725)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(248)	(248)
Balance at 31 December 2019	29,352	62,698	81,760	125,805	76,249	7,267	170,197	553,328	7,191	560,519

The notes on pages 13 to 137 form an intergral part of these financial statements.

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

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

The notes on pages 13 to 137 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
The Bank's statement of Changes in Equity (continued)
as at 31 December 2019
(Expressed in millions of RMB unless otherwise stated)

	Share capital	Other equity instruments	Capital reserves	Surplus reserves	General risk reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2019	29,352	29,920	81,710	109,717	74,900	4,627	133,538	463,764
Net profit	-	-	-	-	-	-	56,294	56,294
Other comprehensive income	-	-	-	-	-	2,043	-	2,043
Total comprehensive income	-	-	-	-	-	2,043	56,294	58,337
Issurance of capital bonds with unfixed terms	-	29,996	-	-	-	-	-	29,996
Equity increase due to issurance of convertible bonds	-	2,782	-	-	-	-	-	2,782
Appropriations to surplus reserves	-	-	-	16,088	-	-	(16,088)	-
Cash dividends paid to ordinary shareholders	-	-	-	-	-	-	(10,273)	(10,273)
Cash dividends paid to preference shareholders	-	-	-	-	-	-	(1,725)	(1,725)
Balance at 31 December 2019	29,352	62,698	81,710	125,805	74,900	6,670	161,746	542,881

The notes on pages 13 to 137 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2020	2019	2020	2019
Cash flows from operating activities				
Profit before income tax	66,589	69,649	61,801	65,580
Adjustment for:				
Depreciation and amortization	6,736	3,613	5,541	2,533
Assets impairment losses	79,553	74,707	77,331	73,181
Interest expense from debt securities issued	32,375	30,741	31,851	30,289
Interest income from financial investments	(61,795)	(62,287)	(61,321)	(61,834)
Net profit or loss on disposal of fixed assets	8	(1,325)	8	(1,325)
Share of profits from associates and joint ventures	(146)	(171)	(130)	(158)
Unrealized profit or loss on derivative financial instruments	(5,079)	3,246	(5,079)	3,244
Net profit or loss arising from financial investments	(3,219)	(1,613)	(3,208)	(1,430)
Net trading profit or loss	(8,386)	(10,236)	(6,934)	(9,151)
Foreign exchange gain or loss arising from investing and financing activities	13	(3)	12	(3)
Changes in operating assets:				
Statutory reserves with central bank	25,164	(407)	24,772	(914)
Deposits and placements with banks and other financial institutions	(66,608)	(57,934)	(64,018)	(60,537)
Financial assets held for trading	(22,022)	(26,727)	(18,485)	(21,569)
Financial assets purchased under resale agreements	832	10,718	832	10,718
Loans and advances to customers	(571,450)	(491,993)	(553,977)	(487,500)
Other operating assets	(29,797)	(58,964)	(26,267)	(56,632)

The notes on pages 13 to 137 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2020	2019	2020	2019
Cash flows from operating activities (continued)				
Changes in operating liabilities:				
Borrowing from central bank	40,593	12,949	39,700	13,200
Deposits and placements from banks and other financial institutions	201,968	(51,388)	183,386	(57,071)
Financial assets sold under repurchase	4,810	108,023	(2,111)	108,023
Deposits from customers	448,631	400,835	444,637	403,922
Other operating liabilities	3,511	(4,106)	728	(2,047)
Cash generated from/(used in) operating activities before income tax payment	142,281	(52,673)	129,069	(49,481)
Income tax paid	(12,613)	(13,085)	(11,378)	(12,081)
Net cash generated from/(used in) operating activities	129,668	(65,758)	117,691	(61,562)
Cash flows from investing activities				
Proceeds from disposal and redemption of investments	1,926,503	1,280,999	1,887,873	1,270,712
Investment income received	85,243	75,082	84,681	74,177
Proceeds from disposal of fixed assets	309	2,477	242	2,468
Purchase of fixed assets, intangible assets and other long-term assets	(5,792)	(8,829)	(4,510)	(3,840)
Purchase of investment	(2,147,940)	(1,416,702)	(2,096,373)	(1,415,030)
Net cash used in investing activities	(141,677)	(66,973)	(128,087)	(71,513)

The notes on pages 13 to 137 form an intergral part of these financial statements.

Shanghai Pudong Development Bank Co., Ltd.
Consolidated and the Bank's Cash Flow Statements (continued)
For the year ended 31 December 2020
(Expressed in millions of RMB unless otherwise stated)

	The Group		The Bank	
	2020	2019	2020	2019
Cash flows from financing activities				
Cash from equity investment	-	24	-	-
Proceeds from issurance of bonds and interbank deposits	1,366,158	1,239,307	1,362,056	1,235,316
Repayment of bonds and interbank deposits issued	(1,179,103)	(1,045,263)	(1,176,093)	(1,044,853)
Cash paid for dividends, profit and interest of bond issued	(52,921)	(42,301)	(52,175)	(41,525)
Proceeds from other financing activities	(3,283)	(2,870)	(3,419)	(2,716)
Net cash generated from financing activities	130,851	148,897	130,369	146,222
Effect of exchange rate changes on cash and cash equivalents	(5,308)	1,274	(5,195)	1,236
Net increase in cash and cash equivalents	113,534	17,440	114,778	14,383
Cash and cash equivalents at the beginning of the year	205,084	187,644	197,837	183,454
Cash and cash equivalents at the end of the year	318,618	205,084	312,615	197,837
Cash flows from operating activities include:				
Interest received	247,891	242,337	242,799	237,658
Interest paid	(111,896)	(116,830)	(110,067)	(115,423)
Composition of cash and cash equivalents:	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash	5,356	6,112	5,214	5,964
Surplus resrves with central bank	143,283	105,063	140,336	102,311
Deposits and placements with banks and other financial institutions with original maturities no more than three months	133,484	91,906	130,570	87,559
Financial assets purchased under resale agreements with original maturities no more than three months	36,495	2,003	36,495	2,003
Total	318,618	205,084	312,615	197,837

The notes on pages 13 to 137 form an intergral part of these financial statements.

I General Information

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

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

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

The major subsidiaries are consolidated in the Bank's financial statements are disclosure in Note III. 37(1).

II Basis of preparation and accounting policies

1. Basis of preparation

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

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

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

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

2. Changes in significant accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards ("IASs"), and its amendments) that are effective in 2020 and relevant to the Group's operation.

- Amendments to *IFRS 3 - Business Combinations*: Clarifying what is a business
- Amendments to *IAS 1 - Presentation of Financial Statements* and *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Material
- Amendments to *IFRS 9 - Financial Instruments*, *IAS 39 - Financial Instruments: Recognition and measurement* and *IFRS 7 - Financial Instruments: Disclosures*: Interest Rate Benchmark Reform

The above new or amended IFRSs that are effective in 2020 has been initially adopted in the financial report. The initial adoption of the above amendments did not have any material impact on the financial position and financial performance of the Group.

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

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

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

(1) Effective for accounting periods beginning on or after 1 January 2021.
(2) Effective for accounting periods beginning on or after 1 January 2022.
(3) Effective for accounting periods beginning on or after 1 January 2023.
(4) Effective date to be determined.

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

4. Summary of significant accounting policies

(1) Subsidiaries

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

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

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

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

(2) Non-controlling interests

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

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

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

(3) Associates and joint ventures

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

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

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

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

(4) Functional currency

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

(5) Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in profit or loss, with the exception that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank's net investment of a foreign entity, and the aggregate exchange differences are not recognised in profit or loss until the disposal of such net investment. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

(6) Criteria for determining cash and cash equivalents

Cash and cash equivalents refer to cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily

convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(7) Precious metals

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

(8) Financial instruments

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

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

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Accounts receivable containing no significant financing component or do not consider the financing components in the contracts within one year are measured initially at transaction prices determined by the accounting policies set out in Note II. 4. (25).

(ii) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

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

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made

on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

(b) Subsequent measurement of financial assets

- Financial assets measured at FVTPL

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

- Financial assets measured at amortised cost

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

- Debt investments measured at FVOCI

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

- Equity investments measured at FVOCI

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

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and amortised cost.

- Financial liabilities measured at FVTPL

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

  Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities measured at amortised cost

  These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(iv) Offsetting

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

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

(v) Derecognition of financial assets and financial liabilities

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

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continue to recognise the transferred assets to the extent of its continuing involvement, derecognise the remaining. The carrying amount of the transferred assets is apportioned between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the carrying amount of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

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

(vi) Impairment of financial assets

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

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

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

Measurement of ECL

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

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

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

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

For accounts receivable, loss allowance always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

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

Presentation of allowance for ECL

ECL are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income.

Write-off

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

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

(vii) Modification of loan contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether or not the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms. If the renegotiation or modification does not result in derecognition, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(viii) Equity instrument

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

(9) Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in Note VIII.1(3)); and

- The premium received on initial recognition less the accumulated amount of income.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in Note VIII.1(3)). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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

(10) Derivatives and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Certain derivatives are embedded in hybrid contracts. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes (Note II.8(ii)). Otherwise, the embedded derivatives are treated as separate derivatives when:

(i) Their economic characteristics and risks are not closely related to those of the host contract;

(ii) A separate instrument with the same terms would meet the definition of a derivative; and

(iii) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group’s overseas branch implanted fair value hedge and cash flow hedge, by designated selected derivative instruments to hedge the specific fair value or cash flow related risk of recognized assets.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

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

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

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

Cash flow hedges

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

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

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

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

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

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

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

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

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

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

Hedges of a net investment in a foreign operation

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

(11) Convertible instruments

Convertible instruments containing an equity component

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

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

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

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

Other convertible instruments not containing an equity component

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

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

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

(12) Preference shares and capital bonds with unfixed terms

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

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

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

(13) Repurchase and reverse repurchase transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.

(14) Fixed assets

Recognition of fixed assets

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

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II.4(15).

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

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

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

Depreciation of fixed assets

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

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

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

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

Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

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

(15) Construction in progress

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

(16) Intangible assets

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

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

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

- Customer contract relationship is amortized on the straight-line basis over the maximum beneficial life upon the acquisition date.

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

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

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

(17) Long-term deferred expenses

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

(18) Repossessed assets

Repossesssed assets refer to the physical assets or property rights of the debtor, guarantor or third party that are compensated by the Group for exercising creditor's rights or security interests. Repossessed assets that are financial assets are recognised and measured in accordance with Note II.4(8). Repossessed assets that are not financial assets, are initially recognised at the fair value of abandoned creditor’s rights and taxes directly attributable to the asset and other costs, and are subsequently measured at the lower of the carrying value and net recoverable amount. On the balance sheet date, if the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(19) Goodwill

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

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

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

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

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

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

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

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

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

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

(21) Provisions

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

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

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

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

(22) Fair value measurement

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

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

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

(23) Dividend distribution

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

(24) Fiduciary activities

The Group only provides services and collects fees in accordance with the agent agreement in the fiduciary activities of acting as agent, but not assumes any risk or benefit in respect of the assets acting as agent. The assets are not recognized in the financial position statement of the Group.

The Group also operates entrusted loan business. Entrusted loan business refers to the business in which the client provides funds and the Group issues and assists in recovering the loan on behalf of the client in accordance with the loan object, purpose, amount, interest rate and repayment plan determined by the client. The risks are borne by the client and the Group only collects related commission fees. Entrusted loans are not included in the financial position statement of the Group.

(25) Revenue recognition

Revenue is the gross net inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Interest income

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

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

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

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

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

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

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

(iv) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Net trading income

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

(26) Employee benefits

Short-term employee benefits

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

Post-employment benefits

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

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

Termination benefits

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

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

(27) Income tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(28) Leases

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

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

As a lessee

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

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note II.4.(20).

Lease liabilities are initially measured at the present value of the outstanding lease payments at the lease commencement date, organisations of the Group adopted the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the book value of the right-of-use assets has been reduced to zero, but the lease liabilities needs to be further reduced, the Group shall include the remaining amount into profit or loss.

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

As a lessor

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

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

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note II.4(8).

Lease receipts from operating leases is recognised as income using the systematic basis over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income.

(29) Related parties

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

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

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

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

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

(30) Significant accounting estimates and judgements

(a) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets (see Notes II. 4(14) and(16)) and provision for impairment of various types of assets (see Note III), other significant accounting estimates are as follows:

(i) Revenue recognition - as mentioned in Note II.4(25), partial fees and commission income are recognised over time. The related income recognition is dependent on estimating the total outcome of the contract, as well as the work done to date. If actual outcomes in terms of total cost or revenue is higher or lower than estimated at the end of the reporting period, the revenue and profit recognised in future years would be affected.
(ii) Note III.19 - Recognition of deferred tax assets;
(iii) Note VIII. 1.(3) - Measurement of ECLs; and
(iv) Note VIII. 4 - Fair value of financial instruments.

(b) Significant accounting judgements

Significant judgements made by the Group in the application of accounting policies are as follows:

(i) Note III.29: Preference shares and capital bonds with unfixed term classified as equity instruments; and
(ii) Note III.37 - Significant judgements and assumptions in determining control, joint control or significant influence over other entity.

III NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

1 Net interest income

	The Group		The Bank	
	2020	2019	2020	2019
Interest income				
Loans and advances to customers				
-Corporate loans	92,637	92,036	89,180	89,026
-Retail loans	113,497	113,458	112,607	112,648
-Discounted bills	9,853	10,094	9,852	10,091
Financial investments				
-at amortiazed cost	41,763	46,505	41,630	46,307
-at fair value through other comprehensive income	20,642	16,615	20,301	16,360
Deposits from and placements with banks and other financial institutions	9,407	10,892	9,382	10,941
Deposits with central bank	5,871	6,198	5,836	6,155
Financial assets purchased under resale agreements	1,315	1,969	1,315	1,969
Subtotal	294,985	297,767	290,103	293,497
Interest expense				
Deposits from customers	(82,713)	(75,315)	(81,953)	(74,686)
Debt securities issued	(32,861)	(31,527)	(32,356)	(31,076)
Deposits to and placements from banks and other financial institutions	(27,919)	(34,946)	(26,541)	(33,751)
Borrowing from central bank	(8,009)	(6,741)	(7,989)	(6,727)
Financial assets sold under repurchase agreements	(4,902)	(4,715)	(4,902)	(4,715)
Subtotal	(156,404)	(153,244)	(153,741)	(150,955)
Net interest income	138,581	144,523	136,362	142,542

2 Net fee and commission income

	The Group		The Bank	
	2020	2019	2020	2019
Fee and commission income				
Custodian and other fiduciary activities commissions	15,415	11,556	11,822	8,091
Fees from bank cards	14,528	12,742	14,527	12,742
Agency commissions	5,078	2,723	5,078	2,722
Fees from investment banking activities	4,457	3,631	4,358	3,512
Credit commitment fees	2,223	2,154	2,221	2,152
Settlement and clearing fees	883	975	883	973
Others	1,673	1,742	1,269	1,323
Subtotal	44,257	35,523	40,158	31,515
Fee and commission expense	(10,311)	(10,749)	(10,409)	(10,818)
Net fee and commission income	33,946	24,774	29,749	20,697

3 Net trading gains and losses

	The Group		The Bank	
	2020	2019	2020	2019
Financial investments measured at FVTPL	14,876	13,130	12,267	11,912
Non-foreign exchange derivative financial instruments	3,011	(1,534)	3,011	(1,532)
Hedged bonds	267	296	267	296
Exchange gains and losses	(215)	312	(175)	328
Precious metals	(845)	3,471	(845)	3,471
Others	526	189	526	189
Total	17,620	15,864	15,051	14,664

4 Net gains and losses arising from financial investments

	The Group		The Bank	
	2020	2019	2020	2019
Financial investments measured at FVOCI	2,741	1,878	2,487	1,566
Financial investments at amortized cost	433	(309)	433	(309)
Dividend income	45	44	288	173
Total	3,219	1,613	3,208	1,430

5 Operating expenses

	The Group		The Bank	
	2020	2019	2020	2019
Staff costs				
- Short-term employee benifits	23,266	22,781	21,532	21,174
- Post-employment benifits	1,768	2,189	1,733	2,100
- Other long-term employee benefits	2,475	2,045	2,349	1,989
Subtotal	27,509	27,015	25,614	25,263
Depreciation and amortization	5,925	5,511	5,541	4,893
Business tax and surcharges	2,117	1,946	2,034	1,868
Others	14,874	11,846	12,908	10,733
Total	50,425	46,318	46,097	42,757

6 Impairment losses

	The Group		The Bank	
	2020	2019	2020	2019
Loans and advances to customers	75,022	69,947	73,524	68,319
Others	4,531	4,760	3,807	4,862
Total	79,553	74,707	77,331	73,181

7 Income tax expense

	The Group		The Bank	
	2020	2019	2020	2019
Current income tax expense	13,177	19,668	11,880	18,550
Deferred income tax expense	(5,512)	(9,399)	(5,200)	(9,264)
Total	7,665	10,269	6,680	9,286

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

	The Group		The Bank	
	2020	2019	2020	2019
Profit before income tax	66,589	69,649	61,801	65,580
Tax calculated at statutory tax rate of the PRC	16,647	17,412	15,449	16,395
Tax effect from other various tax rates adopted by subsidiaries	(126)	(46)	-	-
Tax effect of non-deductible expenses	497	289	348	214
Tax effect of non-taxable income	(9,486)	(7,716)	(9,251)	(7,627)
Income tax adjustments in prior years	133	330	134	304
Income tax expense	7,665	10,269	6,680	9,286

8 Earnings per share

(1) Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing net profit for the year attributable to the holders of the Bank's share capital by the weighted average number of share capital outstanding during the year. The conversion feature of preference shares is considered to fall within the category of contingently issuable share capital. As at 31 December 2020, the triggering events of share conversion did not occur. Therefore, the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share in the current period.

The Group

	2020	2019
Profit for the year attributable to shareholders of the Bank	58,261	58,771
Less: Profit for the year attributable to preference shareholders of the Bank	(1,662)	(1,725)
Payment of interests of non-fixed term capital bonds	(1,419)	-
Profit for the year attributable to the holders of the Bank's share capital	55,180	57,046
Weighted average number of outstanding share capital (million)	29,352	29,352
Basic EPS (RMB)	1.88	1.94

The Bank declared cash dividends of RMB 1,662 million for preference share and interests payment of RMB1,419 million for Perpetual bondin this year. For the purpose of calculating basic EPS, dividends on preference shares declared and interets of Perpetual bondin respect of the year have been deducted from the net profit attributable to ordinary shareholders of the Bank.

The issue of Perpetual bondinterest has not been announced this year.

(2) Diluted earnings per share

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

The Group

	2020	2019
Net profit for the current year attributable to shareholders of the Bank	,180	57,046
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	377	3
Net profit for the current year attributable to ordinary shareholders of the Bank	56,557	,289
Weighted average number of outstanding ordinary shares (million)	29,352	,352
Add: Assume that convertible corporate bonds are entirely converted to weighted average number of ordinary shares from the beginning of the period to the conversion date (million)	3,322	4
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	,674	29,906
Diluted earnings per share (RMB)	73	92

9 Cash and deposits with central bank

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash		5,356	6,112	5,214	5,964
Statutory reserves with central bank	(1)	339,269	364,433	337,532	362,304
Surplus reserves with central bank	(2)	143,283	105,063	140,336	102,311
Fiscal deposits with central bank		1,011	2,065	1,011	2,065
Accrued interest		169	180	169	180
Total		489,088	477,853	484,262	472,824

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

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

10 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deposits with domestic banks	77,684	56,583	69,529	49,231
Deposits with overseas banks	71,458	46,075	71,289	45,994
Deposits with domestic non-bank financial institutions	2,460	815	2,457	666
Placements with domestic banks	12,558	26,260	12,558	26,260
Placements with overseas banks	45,393	15,864	45,393	15,864
Placements with domestic non-bank financial institutions	159,967	108,621	161,132	109,831
Placements with overseas non-bank financial institutions	14,406	20,468	18,056	24,485
Accrued interest	2,413	1,958	2,378	1,955
Less: impairment allowance	(412)	(282)	(386)	(253)
Total	385,927	276,362	382,406	274,033

11 Derivative financial instruments

The Group

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

	31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,568,643	13,246	(13,434)
Exchange rate derivatives	2,571,504	19,833	(19,822)
Precious metal derivatives	182,064	5,432	(8,110)
Commodity and other derivatives	9,903	208	(137)
Total		38,719	(41,503)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	20,096	21	(399)
- Currency swap contracts	627	8	(5)
Cash flow hedges			
- Interest rate swap contracts	193	-	(2)
- Currency swap contracts	3,467	59	(12)
Total		88	(418)

The Bank

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

	31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,568,450	13,246	(13,432)
Exchange rate derivatives	2,571,504	19,833	(19,822)
Precious metal derivatives	182,064	5,432	(8,110)
Commodity and other derivatives	9,903	208	(137)
Total		38,719	(41,501)
Derivatives designated as hedging instruments:			
Fair value hedges			
- Interest rate swap contracts	20,096	21	(399)
- Currency swap contracts	627	8	(5)
Cash flow hedges			
- Interest rate swap contracts	-	-	-
- Currency swap contracts	3,467	59	(12)
Total		88	(416)

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

12 Financial assets purchased under resale agreements

The Group and the Bank

	31 December 2020	31 December 2019
Bonds	36,520	2,715
Discounted bills	-	145
Accrued interest	7	14
Less: impairment allowance	(1)	(1)
Total	36,526	2,873

13 Loans and advances to customers

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Loans and advances to Customers measured at				
- amortized cost (a)	4,093,185	3,609,786	3,998,067	3,533,088
- FVOCI (b)	422,508	412,935	422,508	412,935
- FVTPL (c)	18,280	3,180	18,280	3,180
Subtotal	4,533,973	4,025,901	4,438,855	3,949,203
Accrued interest	15,576	15,028	14,851	14,487
Impairment allowances				
-Loans and advances to customers measured at amortized cost	(119,116)	(110,059)	(114,168)	(106,157)
- Accrued interest of loans and advances to customers measured at amortized cost	(205)	(120)	(205)	(120)
Subtotal	(119,321)	(110,179)	(114,373)	(106,277)
Net loans and advances to customers	4,430,228	3,930,750	4,339,333	3,857,413

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
(a) Loans and advances to customers measured at amortized cost				
Corporates loans				
Commercial Loans	2,248,168	1,901,643	2,168,559	1,839,136
Trade finance	49,048	32,623	49,048	32,623
Discounted bills	3,691	144	3,666	120
Retail loans				
Mortgage loans	849,193	730,260	841,967	724,536
Credit card and overdraft	372,117	421,535	372,117	421,398
Business loans	325,782	274,606	321,078	267,758
Consumer loans and others	245,186	248,975	241,632	247,517
Subtotal	4,093,185	3,609,786	3,998,067	3,533,088
(b) Loans and advances to customers measured at FVOCI				
Corporates loans				
Trade finance	5,627	35	5,627	35
Discounted bills	416,881	412,900	416,881	412,900
Subtotal	422,508	412,935	422,508	412,935
(c) Loans and advances to customers measured at FVTPL				
Corporates loans				
Trade finance	2,944	1,100	2,944	1,100
Discounted bills	15,336	2,080	15,336	2,080
Subtotal	18,280	3,180	18,280	3,180
Total loans and advances to customers	4,533,973	4,025,901	4,438,855	3,949,203

13.1 Loans and advances to customers analysed by industry

The Group

	31 December 2020		31 December 2019	
	Amount	Rate (%)	Amount	Rate (%)
Corporate loans				
Manufacturing	392,385	8.65	337,916	8.39
Lease and commercial service	361,907	7.98	264,524	6.57
Real estate	346,486	7.64	334,229	8.30
Wholesale and retail	207,798	4.58	149,206	3.71
Water, environment and public facilities management	173,871	3.84	165,868	4.12
Construction	160,798	3.55	140,212	3.48
Transportation, warehouse and postal services	157,478	3.47	141,309	3.51
Electricity, heat, gas, water production and supply	116,544	2.57	82,656	2.05
Financial services	104,093	2.30	82,782	2.06
Mining	95,167	2.10	81,945	2.04
Information transmission, software and IT services	58,820	1.30	39,432	0.98
Research and technology services	30,262	0.67	24,016	0.60
Culture, sports and entertainment	20,221	0.45	18,843	0.47
Agriculture, forestry, farming and fishery	20,172	0.44	27,785	0.69
Healthcare and social welfare	19,417	0.43	17,512	0.43
Education	15,480	0.34	11,984	0.30
Hotels and catering services	8,285	0.18	7,294	0.17
Residential services, repairs and other services	2,357	0.05	3,497	0.09
Public administration, social assurance and social organization	2,223	0.05	1,102	0.03
Others	12,023	0.27	3,289	0.08
Subtotal	2,305,787	50.86	1,935,401	48.07
Discounted bills	435,908	9.61	415,124	10.31
Retail loans	1,792,278	39.53	1,675,376	41.62
Total	4,533,973	100.00	4,025,901	100.00

The Bank

	31 December 2020		31 December 2019	
	Amount	(%)	Amount	(%)
Corporate loans				
Manufacturing	383,212	8.63	325,632	8.25
Lease and commercial service	362,067	8.16	264,935	6.71
Real estate	346,461	7.81	334,208	8.46
Wholesale and retail	180,701	4.07	134,976	3.42
Water, environment and public facilities management	164,966	3.72	151,988	3.85
Construction	158,654	3.57	138,860	3.52
Transportation, warehouse and postal services	157,326	3.54	141,134	3.57
Electricity, heat, gas, water production and supply	95,037	2.14	67,477	1.71
Financial services	104,009	2.34	83,134	2.10
Mining	90,633	2.04	79,418	2.01
Information transmission, software and IT services	57,581	1.30	38,779	0.98
Research and technology services	30,099	0.68	23,997	0.61
Culture, sports and entertainment	19,475	0.44	18,263	0.46
Agriculture, forestry, farming and fishery	16,971	0.38	26,418	0.67
Healthcare and social welfare	19,111	0.43	16,899	0.43
Education	15,332	0.35	11,837	0.30
Hotels and catering services	8,085	0.18	7,144	0.18
Residential services, repairs and other services	2,212	0.05	3,446	0.09
Public administration, social assurance and social organization	2,223	0.05	1,102	0.03
Others	12,023	0.27	3,247	0.08
Subtotal	2,226,178	50.15	1,872,894	47.43
Discounted bills	435,883	9.82	415,100	10.51
Retail loans	1,776,794	40.03	1,661,209	42.06
Total	4,438,855	100.00	3,949,203	100.00

13.2 Loans and advances to customers analysed by collateral type

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Unsecured loans	1,818,279	1,636,355	1,786,811	1,621,148
Guaranteed loans	776,427	731,908	740,152	697,934
Collateralized loans	1,668,955	1,425,283	1,652,088	1,410,241
Pledged loans	270,312	232,355	259,804	219,880
Total	4,533,973	4,025,901	4,438,855	3,949,203

13.3 Overdue loans and advances to customers

The Group

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

	31 December 2019				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	12,649	13,496	3,751	360	30,256
Guaranteed loans	9,759	8,381	6,713	1,221	26,074
Collateralized loans	12,041	9,226	5,744	1,328	28,339
Pledged loans	1,283	1,371	480	68	3,202
Total	35,732	32,474	16,688	2,977	87,871

The Bank

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

	31 December 2019				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
Unsecured loans	12,647	13,460	2,803	360	29,270
Guaranteed loans	9,180	8,197	6,428	1,175	24,980
Collateralized loans	11,825	9,152	5,630	1,317	27,924
Pledged loans	1,247	1,371	479	68	3,165
Total	34,899	32,180	15,340	2,920	85,339

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

13.4 Movements of ECL allowance

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

The Group

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

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019		25,665	26,766	53,831	106,262
Transfers during the year:					
- Transfer to stage 1		3,123	(2,941)	(182)	-
- Transfer to stage 2		(1,622)	2,125	(503)	-
- Transfer to stage 3		(1,149)	(17,057)	18,206	-
Net increase during the year	(1)	3,886	10,553	55,279	69,718
Written-offs and disposals during the year		-	-	(68,004)	(68,004)
Recovery of loans and advances written off in previous years		-	-	3,539	3,539
Others		1	-	(1,457)	(1,456)
Balance at 31 December 2019		29,904	19,446	60,709	110,059

The Bank

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

	Note	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019		24,551	26,501	52,597	103,649
Transfers during the year:					
- Transfer to stage 1		3,055	(2,923)	(132)	-
- Transfer to stage 2		(1,589)	2,089	(500)	-
- Transfer to stage 3		(1,122)	(16,998)	18,120	-
Net increase during the year	(1)	3,634	10,329	54,127	68,090
Written-offs and disposals during the year		-	-	(67,683)	(67,683)
Recovery of loans and advances written off in previous years		-	-	3,473	3,473
Others		1	-	(1,373)	(1,372)
Balance at 31 December 2019		28,530	18,998	58,629	106,157

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

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

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

The Group and the Bank

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	199	4	-	203
Transfers during the year:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Net increase during the year	89	4	136	229
Balance at 31 December 2019	288	8	136	432

14 Financial Investments

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial investment measured at FVTPL	(a)	549,149	505,318	514,468	488,178
Financial investments measured at amortized cost	(b)	1,169,777	1,074,927	1,167,536	1,072,249
Fnancial investments measured at FVOCI	(c)	583,621	503,302	577,343	497,178
Financial investments, net		2,302,547	2,083,547	2,259,347	2,057,605

(a) Financial investments measured at FVTPL:

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Fund investments		428,552	360,856	407,181	354,530
Corporate bonds		42,040	39,350	41,705	39,129
Trust and asset management plans	(1)	20,294	65,313	13,351	60,531
Beneficiary certificates of securities companies		18,651	-	18,651	-
Government bonds		11,096	5,846	11,095	5,846
Bonds issued by financial institutions		10,412	10,313	9,158	10,126
Equity investment		5,104	4,306	532	114
Bonds issued by policy banks		3,407	7,780	3,407	7,780
Deposit certificates issued by other financial institutions		2,988	4,424	2,988	4,424
Assets backed securities (“ABS”)		562	6	463	6
Wealth management products managed by other banks		72	90	-	-
Other investment	(2)	5,971	7,034	5,937	5,692
Total		549,149	505,318	514,468	488,178

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

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

(b) Financial Investments measured at amortized cost

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Government bonds	558,397	481,018	558,397	481,018
Trust and asset management plans				
- ABS	180,867	122,905	180,233	122,905
- Loans	139,798	138,263	138,979	137,120
- Bill assets	44,841	106,200	44,841	106,200
- Others	7,354	11,061	7,354	11,061
Bonds issued by policy banks	194,122	193,020	194,122	193,020
Bonds issued by financial institutions	24,158	3,678	24,158	3,469
Beneficiary certificates of securities companies	8,130	1,950	8,130	1,950
Corporate bonds	6,883	6,805	6,752	6,267
Deposit certificates issued by other financial institutions	833	1,373	833	1,373
ABS	300	1,346	300	1,346
Other debt instrument	-	205	-	205
Subtotal	1,165,683	1,067,824	1,164,099	1,065,934
Accrued interest	16,041	15,818	15,999	15,733
Impairment allowance				
-Principal of financial Investments	(11,899)	(8,679)	(12,535)	(9,382)
-Accrued interest of financial Investments	(48)	(36)	(27)	(36)
Subtotal of impairment allowance	(11,947)	(8,715)	(12,562)	(9,418)
Financial Investments at amortized cost, net	1,169,777	1,074,927	1,167,536	1,072,249

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

The Group

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	2,909	238	4,341	7,488
Transfers for the year:				
- to stage 1	29	(4)	(25)	-
- to stage 2	(5)	5	-	-
- to stage 3	(196)	(132)	328	-
Net (decrease) / increase for the year	(1,137)	(50)	2,358	1,171
Recovery of invesments written off	-	-	21	21
Others	(1)	-	-	(1)
Balance at 31 December 2019	1,599	57	7,023	8,679

The Bank

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	2,932	238	4,621	7,791
Transfers for the year:				
- to stage 1	29	(4)	(25)	-
- to stage 2	(5)	5	-	-
- to stage 3	(5)	(132)	137	-
Net (decrease) / increase for the year	(1,376)	(54)	3,001	1,571
Recovery of invesments written off	-	-	21	21
Others	(1)	-	-	(1)
Balance at 31 December 2019	1,574	53	7,755	9,382

(c) Financial investments measured at FVOCI

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Government bonds		230,989	192,752	230,989	192,752
Bonds issued by policy banks		115,245	133,893	115,245	133,893
Corporate bonds		86,751	59,066	82,188	55,974
Bonds issued by financial		80,328	80,978	79,628	80,631
Asset management plans	(1)	45,011	2,825	43,997	147
ABS		7,818	9,093	7,818	9,093
Equity investments		5,018	4,983	5,018	4,983
Deposit certificates issued by other financial institutions		3,833	11,653	3,833	11,653
Other equity investment		817	811	817	811
Subtotal		575,810	496,054	569,533	489,937
Accrued interest		7,811	7,248	7,810	7,241
Total		583,621	503,302	577,343	497,178

(1) Asset management plans are managed and operated by asset managers, and are mainly invested in bill assets and forfeiting assets, etc.

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

The Group

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	530	16	169	715
Transfers for the year:				
- to stage 1	1	(1)	-	-
- to stage 2	(50)	50	-	-
- to stage 3	(38)	(34)	72	-
Net (decrease) / increase for the year	(79)	52	600	573
Write-offs and disposals during the year	-	-	(95)	(95)
Others	3	-	1	4
Balance at 31 December 2019	367	83	747	1,197

The Bank

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

	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
Balance at 1 January 2019	354	14	169	537
Transfer for the year:				
- to stage 1	-	-	-	-
- to stage 2	(3)	3	-	-
- to stage 3	-	(18)	18	-
Net (decrease) / increase for the year	(62)	42	321	301
Write-offs and disposals during the year	-	-	(95)	(95)
Others	3	-	1	4
Balance at 31 December 2019	292	41	414	747

15 Investments in associate and joint ventures

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Investments in joint ventures	III.37(2)	2,127	1,841	2,127	1,841
Investments in associate	III.37(2)	274	208	-	-
Total		2,401	2,049	2,127	1,841

The Group

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

	1 January 2019	Net income adjusted by equity method	Declared cash dividends	Other change	31 December 2019
AXA SPDB Investment Managers Co., Ltd.	1,247	166	(77)	-	1,336
SPD Silcon Valley	510	(8)	-	3	505
Others	211	13	-	(16)	208
Total	1,968	171	(77)	(13)	2,049

16 Fixed assets

The Group

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Plane and ship equipments	Construction in progress	Total
Cost						
1 January 2019	13,016	461	7,968	12,595	4,499	38,539
Additions	204	34	979	4,684	840	6,741
Transferred from construction in progress	1,244	-	3	-	(1,366)	(119)
Disposals	(749)	(48)	(644)	-	-	(1,441)
31 December 2019	13,715	447	8,306	17,279	3,973	43,720
Additions	472	33	1,468	1,186	1,197	4,356
Transferred from / (to) construction in progress	-	-	10	-	(162)	(152)
Disposals	(3)	(27)	(910)	-	-	(940)
31 December 2020	14,184	453	8,874	18,465	5,008	46,984
Accumulated depreciation						
1 January 2019	(4,214)	(360)	(5,958)	(1,515)	-	(12,047)
Charge	(471)	(43)	(942)	(744)	-	(2,200)
Disposal	332	45	533	-	-	910
31 December 2019	(4,353)	(358)	(6,367)	(2,259)	-	(13,337)
Charge	(488)	(27)	(845)	(811)	-	(2,171)
Disposal	1	24	863	-	-	888
31 December 2020	(4,840)	(361)	(6,349)	(3,070)	-	(14,620)
Net book value						
31 December 2020	9,344	92	2,525	15,395	5,008	32,364
31 December 2019	9,362	89	1,939	15,020	3,973	30,383

As at 31 December 2020, the net book value of RMB 15.40 billion (31 December 2019: RMB 15.02 billion) of the flight and ship equipment were rent out under operating lease by the Group's subsidiary, Puyin Financial Leasing Co., Ltd..

The Bank

	Land and buildings	Motor vehicles	Electronic computers and other equipments	Construction in progress	Total
Cost					
1 January 2019	12,490	436	7,795	4,499	25,220
Additions	113	24	863	837	1,837
Transferred from constructions in progress	1,244	-	3	(1,366)	(119)
Disposals	(739)	(47)	(630)	-	(1,416)
31 December 2019	13,108	413	8,031	3,970	25,522
Additions	472	29	1,436	944	2,881
Transferred from / (to) constructions in progress	-	-	10	(145)	(135)
Disposals	(3)	(20)	(892)	-	(915)
31 December 2020	13,577	422	8,585	4,769	27,353
Accumulated					
1 January 2019	(4,134)	(345)	(5,856)	-	(10,335)
Charge	(368)	(28)	(824)	-	(1,220)
Disposals	322	44	519	-	885
31 December 2019	(4,180)	(329)	(6,161)	-	(10,670)
Charge	(459)	(25)	(813)	-	(1,297)
Disposals	1	18	845	-	864
31 December 2020	(4,638)	(336)	(6,129)	-	(11,103)
Net book value					
31 December 2020	8,939	86	2,456	4,769	16,250
31 December 2019	8,928	84	1,870	3,970	14,852

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

As at 31 December 2019, the land and buildings with original cost of RMB 1,236 million and net book value of RMB 1,078 million were in use by the Group and the Bank while the property right registration were still in progress.

17 Intangible assets

The Group

	Land use rights	Software and others	Contractual customer relationships	Brand and franchise right	Total
Cost					
1 January 2019	6,800	3,642	688	2,236	13,366
Additions	-	1,336	-	-	1,336
Disposals	-	(4)	-	-	(4)
31 December 2019	6,800	4,974	688	2,236	14,698
Additions	-	1,425	-	-	1,425
Disposals	-	(1)	-	-	(1)
31 December 2020	6,800	6,398	688	2,236	16,122
Accumulated					
1 January 2019	(277)	(2,479)	(648)	-	(3,404)
Amortization	(177)	(745)	(19)	-	(941)
Disposals	-	4	-	-	4
31 December 2019	(454)	(3,220)	(667)	-	(4,341)
Amortization	(173)	(1,072)	(14)	-	(1,259)
Disposals	-	1	-	-	1
31 December 2020	(627)	(4,291)	(681)	-	(5,599)
Net book value					
31 December 2020	6,173	2,107	7	2,236	10,523
31 December 2019	6,346	1,754	21	2,236	10,357

The Bank

	Land use rights	Software and others	Total
Cost			
1 January 2019	6,797	3,572	10,369
Additions	-	1,282	1,282
Disposals	-	(2)	(2)
31 December 2019	6,797	4,852	11,649
Additions	-	1,400	1,400
Disposals	-	(1)	(1)
31 December 2020	6,797	6,251	13,048
Accumulated			
1 January 2019	(277)	(2,437)	(2,714)
Amortization	(177)	(693)	(870)
Disposals	-	2	2
31 December 2019	(454)	(3,128)	(3,582)
Amortization	(173)	(1,060)	(1,233)
Disposals	-	1	1
31 December 2020	(627)	(4,187)	(4,814)
Net book value			
31 December 2020	6,170	2,064	8,234
31 December 2019	6,343	1,724	8,067

18 Goodwill

	31 December 2020	31 December 2019
Goodwill		
-Shanghai International Trust Co., Ltd. ("Shanghai International Trust")	6,981	6,981
Less: impairment allowances	-	-
Total	6,981	6,981

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

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

	31 December 2019 and 2020
Shanghai International Trust	4,739
Subsidiaries of Shanghai International Trust	2,242
Total	6,981

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

On 31 December 2020, the recoverable amounts of the asset group or a set of asset groups of individual subsidiaries of Shanghai International Trust were determined by reference to its fair value less cost to sell. The relevant fair values were determined on the basis of management’s resolution of those charged with governance and the relevant signed documents.

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

19 Deferred income tax

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

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deferred income tax assets	52,358	45,709	51,049	44,763
Deferred income tax liabilities	(689)	(634)	-	-

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

The Group

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	197,668	49,400	178,398	44,599
Fair value changes of derivative financial instruments	61,146	15,286	41,503	10,376
Employee benefits payable	7,425	1,856	7,496	1,874
Provisions	5,280	1,320	6,698	1,674
Fair value changes of assets and liabilities measured at FVTPL	2,685	671	647	162
Fair value changes of assets and liabilities measured at FVOCI	1,039	260	565	141
Fair value changes of precious metals and commodities	620	155	601	150
Others	6,029	1,509	789	198
Subtotal	281,892	70,457	236,697	59,174
Offset amounts		(18,099)		(13,465)
Deferred income tax assets after offsetting		52,358		45,709

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(63,589)	(15,897)	(38,719)	(9,680)
Fair value changes of financial investment measured at FVOCI	(4,179)	(1,045)	(8,751)	(2,187)
Fair value changes of assets and liabilities measured at FVTPL	(3,596)	(899)	(3,030)	(758)
Differences between fair value and carrying amount of identifiable net assets arising from business combinations of entities not under common control	(2,888)	(689)	(2,529)	(632)
Fair value changes of precious metals and commodities	(900)	(225)	(3,359)	(840)
Others	(144)	(33)	(8)	(2)
Subtotal	(75,296)	(18,788)	(56,396)	(14,099)
Offset amounts		18,099		13,465
Deferred tax liabilities after offsetting		(689)		(634)

The Bank

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Impairment allowances for financial assets	193,692	48,423	175,589	43,897
Fair value changes of derivative financial instruments	61,137	15,284	41,501	10,376
Employee benefits payable	7,233	1,808	6,480	1,620
Provision	5,276	1,319	6,697	1,674
Fair value changes of assets and liabilities measured at FVTPL	2,685	671	475	119
Fair value changes of assets and liabilities measured at FVOCI	935	234	565	141
Fair value changes of precious metals and commodities	620	155	601	150
Others	4,841	1,211	787	197
Subtotal	276,419	69,105	232,695	58,174
Offset amounts		(18,056)		(13,411)
Deferred tax liabilities after offsetting		51,049		44,763

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Fair value changes of derivative financial instruments	(63,589)	(15,897)	(38,719)	(9,680)
Fair value changes of financial investment measured at FVOCI	(4,179)	(1,045)	(8,534)	(2,133)
Fair value changes of assets and liabilities measured at FVTPL	(3,447)	(862)	(3,030)	(758)
Fair value changes of precious metals and commodities	(900)	(225)	(3,359)	(840)
Others	(108)	(27)	-	-
Subtotal	(72,223)	(18,056)	(53,642)	(13,411)
Offset amounts		18,056		13,411
Deferred tax liabilities after offsetting		-		-

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

	Note	The Group		The Bank	
		2020	2019	2020	2019
Balance at the beginning of the year		45,075	36,369	44,763	36,204
Charged to profit or loss	III.7	5,512	9,399	5,200	9,264
Charged to other comprehensive income	III.33	1,082	(693)	1,086	(705)
Balance at the end of the year		51,669	45,075	51,049	44,763

20 Other assets

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Suspense accounts		57,674	41,884	57,661	41,884
Margin deposits		10,480	12,353	10,480	12,353
ROU assets	(1)	8,446	7,717	8,005	7,235
Other receivables		7,487	4,544	6,046	2,693
Prepayment for land-use rights and constructions		4,770	2,204	2,353	2,204
Interest receivable		2,941	574	2,941	568
Payments to Trust Protection Fund on behalf of investors		2,514	3,004	-	-
Repossessed assets		720	628	678	602
Long-term deferred expenses		371	598	329	538
Others		5,253	3,339	4,900	3,049
Total		100,656	76,845	93,393	71,126

(1) ROU assets

The Group

	Leased houses and buildings	Other leased equipments	Total
Cost			
1 January 2019	14,139	675	14,814
Additions	3,648	25	3,673
Deductions	(1,690)	(273)	(1,963)
31 December 2019	16,097	427	16,524
Additions	4,500	46	4,546
Deductions	(4,136)	(295)	(4,431)
31 December 2020	16,461	178	16,639
Depreciation			
1 January 2019	(7,299)	(315)	(7,614)
Charge	(2,482)	(160)	(2,642)
Deduction	1,293	156	1,449
31 December 2019	(8,488)	(319)	(8,807)
Charge	(2,681)	(32)	(2,713)
Deduction	3,073	254	3,327
31 December 2020	(8,096)	(97)	(8,193)
Net book value			
31 December 2020	8,365	81	8,446
31 December 2019	7,609	108	7,717

The Bank

	Leased houses and buildings	Other leased equipments	Total
Cost			
1 January 2019	13,872	300	14,172
Additions	3,118	25	3,143
Deductions	(1,673)	(57)	(1,730)
31 December 2019	15,317	268	15,585
Additions	4,422	45	4,467
Deductions	(4,077)	(137)	(4,214)
31 December 2020	15,662	176	15,838
Depreciation			
1 January 2019	(7,150)	(165)	(7,315)
Charge	(2,308)	(52)	(2,360)
Deduction	1,271	54	1,325
31 December 2019	(8,187)	(163)	(8,350)
Charge	(2,559)	(32)	(2,591)
Deduction	3,009	99	3,108
31 December 2020	(7,737)	(96)	(7,833)
Net book value			
31 December 2020	7,925	80	8,005
31 December 2019	7,130	105	7,235

21 Deposits and placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deposits from domestic banks	282,404	263,808	290,180	269,760
Deposits from overseas banks	11,510	15,297	11,510	15,297
Deposits from domestic non-bank financial institutions	872,880	702,051	874,951	703,303
Deposits from overseas non-bank financial institutions	13,164	17,108	13,437	17,861
Placements from domestic banks	123,653	106,186	75,050	67,872
Placements from overseas banks	48,296	50,159	41,342	46,741
Placements from domestic non-bank financial institutions	10,320	5,300	500	2,400
Placements from overseas non-bank financial institutions	-	350	-	350
Accrued interest	3,345	3,110	3,086	2,945
Total	1,365,572	1,163,369	1,310,056	1,126,529

22 Financial liabilities measured at FVTPL

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial liabilities related to precious metals		6,067	18,464	6,067	18,464
Interest of other unitholders in consolidated structured entities	(1)	9,990	4,831	-	-
Total		16,057	23,295	6,067	18,464

(1) The Group designated interests attributable to other unit holders in consolidated structured entities as financial liabilities measured at FVTPL. As at 31 December 2020 and 31 December 2019, no significant fair value changes have occurred due to changes in the Group's own credit risk.

23 Financial assets sold under repurchase agreements

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Bonds	125,010	136,559	118,089	136,559
Discounted bills	107,273	90,574	107,273	90,574
Interbank deposit certificates	-	340	-	340
Accrued interest	63	110	63	110
Total	232,346	227,583	225,425	227,583

24 Deposits from customers

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Current deposits				
-corporate	1,606,179	1,312,073	1,598,391	1,308,329
-retail	304,281	239,287	301,612	236,633
Time deposits				
-corporate	1,508,210	1,477,382	1,505,404	1,472,697
-retail	655,153	596,673	637,444	580,767
Other deposits	2,661	2,438	2,626	2,414
Subtotal	4,076,484	3,627,853	4,045,477	3,600,840
Accrued interest	45,923	33,989	44,864	33,163
Total	4,122,407	3,661,842	4,090,341	3,634,003

25 Debt securities issued

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Interbank deposit certificates and deposit certificates issued	(1)	780,410	692,491	780,410	692,491
Bonds issued					
Subordinated bond issued in 2011	(2)	18,400	18,400	18,400	18,400
Subordinated bond issued in 2012	(3)	12,000	12,000	12,000	12,000
Tier II capital bond issued in 2015	(4)	-	30,000	-	30,000
Green Financial Bond 02	(5)	15,000	15,000	15,000	15,000
Green Financial Bond 03	(6)	15,000	15,000	15,000	15,000
2017 First Financial Bond	(7)	-	15,000	-	15,000
2017 Second Financial Bond	(8)	-	22,000	-	22,000
2017 Third Financial Bond	(9)	-	13,000	-	13,000
2018 Tier II First Financial Bond	(10)	20,000	20,000	20,000	20,000
2018 Tier II Second Financial Bond	(11)	20,000	20,000	20,000	20,000
2019 First Special Financial Bond for Small and Micro Enterprise Loans	(12)	50,000	50,000	50,000	50,000
2020 First Financial Bond	(13)	50,000	-	50,000	-
2020 Tier II First Financial Bond	(14)	32,000	-	32,000	-
2020 Tier II Second Financial Bond	(15)	8,000	-	8,000	-
2020 Tier II Third Financial Bond	(16)	30,000	-	30,000	-
2020 Tier II Fourth Financial Bond	(17)	10,000	-	10,000	-
Hong Kong USD medium-term note	(18)	8,829	12,191	8,829	12,191
Singapore USD medium-term note	(19)	1,962	2,090	1,962	2,090
London USD medium-term note	(20)	1,962	2,090	1,962	2,090
SPDB Convertible corporate bonds	(21)	49,999	50,000	49,999	50,000
2017 SPDB Financial Leasing Financial Bond	(22)	-	3,000	-	-
2018 SPDB Financial Leasing Financial Bond	(23)	5,000	5,000	-	-
2019 First SPDB Financial Leasing Financial Bond	(24)	2,000	2,000	-	-
2019 Second SPDB Financial Leasing Financial Bond	(25)	2,000	2,000	-	-
2020 Tier II SPDB Financial Leasing Financial Bond	(26)	1,100	-	-	-
2020 SPDB Financial Leasing Financial Bond	(27)	3,000	-	-	-
Subtotal		356,252	308,771	343,152	296,771
Less: Unamortized issue cost		(975)	(2,645)	(961)	(2,629)
Debt securities issued		355,277	306,126	342,191	294,142
ABS					
Puxin 2017 First Leasing ABS		-	9	-	-
Accrued interest		4,966	4,876	4,778	4,668
Total		1,140,653	1,003,502	1,127,379	991,301

(1) As at 31 December 2020, the Group and the Bank issued a total of 323 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 1 year and interest rates falling within a range from 1.40% to 3.36% (As at 31 December 2019, the Group and the Bank issued a total of 266 interbank deposit certificates in the domestic inter-bank market which have not yet expired, with the longest term to maturity being 3 years and interest rates falling within a range from 2.65% to 3.28%).

The deposit certificates of the Group were all publicly issued by overseas institutions of the Group. As at 31 December 2020, the number of deposit certificates publicly issued but not yet expired were 72 in total, with the longest term to maturity being 1 year and interest rates falling within a range from 0% to 2.06% (as at 31 December 2019, the number of deposit certificates publicly issued but not yet expired were 50 in total, with the longest term to maturity being 372 days and interest rates falling within a range from 0% to 3.30%).

(2) The Bank issued subordinated bond in the amount of RMB 18.4 billion in the domestic inter-bank market on 11 October 2011 which have a term of 15 years through maturity, with a fixed annual coupon rate of 6.15%. The Bank is entitled to redeem entire portion of bond at face value on its tenth anniversary.

(3) The Bank issued subordinated bond in the amount of RMB 12.0 billion in the domestic inter-bank market on 27 December 2012 which have a term of 15 years through maturity, with a fixed annual coupon rate of 5.20%. The Bank is entitled to redeem entire portion of bond at face value on its tenth anniversary.

(4) The Bank issued Tier II capital instruments in the amount of RMB 30 billion in the domestic inter-bank market on 7 September 2015 which have a term of 10 years through maturity, with a fixed annual coupon rate of 4.50%. The Bank is entitled to redeem entire portion or part of the instruments at par value on its fifth anniversary under certain circumstances. The Bank has redeemed during this reporting period.

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

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

(7) The Bank issued “2017 First Financial Bond” in the amount of RMB 15 billion in the domestic inter-bank market on 22 February 2017 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.00%.

(8) The Bank issued “2017 Second Financial Bond” in the amount of RMB 22 billion in the domestic inter-bank market on 26 April 2017 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.20%.

(9) The Bank issued “2017 Third Financial Bond” in the amount of RMB 13 billion in the domestic inter-bank market on 10 August 2017 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.20%.

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

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

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

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

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

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

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

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

(18) The Bank issued USD 500 million Medium-term note in Hong Kong Exchange and Clearing Limited on 13 February 2017 which have a term of 3 years through maturity, with a fixed annual coupon rate of 2.375%. The Bank issued USD 400 million medium-term note in Hong Kong Exchange and Clearing Limited on 13 July 2017 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS. The Bank issued USD 350 million medium-term note in Hong Kong Exchange and Clearing Limited on 13 July, 2017 which has a term of 5 years through maturity, with a flexible annual coupon rate of 3ML+95BPS. The Bank issued USD 500 million medium-term note in Hong Kong Exchange and Clearing Limited on 24 September 2018 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+84BPS. The Bank issued USD 500 million medium-term note in Hong Kong Exchange and Clearing Limited on 27 July, 2020 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+85BPS.

(19) The Bank issued USD 300 million medium-term note in Singapore Exchange Limited on 26 November 2018 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+87BPS.

(20) The Bank issued USD 300 million medium-term note in London Exchange Limited on 30 October 2019 which has a term of 3 years through maturity, with a flexible annual coupon rate of 3ML+70BPS.

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

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

As at 31 December 2020, A total of RMB 900,000 covertible corporate bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 60,496. The cumulative effect of the conversion on other equity instruments of the Bank was not material.

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

	Liability	Equity (Note III.29)	Total
Issued amount of convertible bonds	47,214	2,786	50,000
Direct issuance expenses	(78)	(4)	(82)
Balance at the issuance date	47,136	2,782	49,918
Amortisation in the prior year	306	-	306
Balance at 1 January 2020	47,442	2,782	50,224
Amortisation in the current period	1,683	-	1,683
Converted bonds during the year	(1)	-	(1)
Balance at 31 December 2020	49,124	2,782	51,906

(22) SPDB Financial Leasing Co., Ltd, the subsidiary of the Bank, issued “2017 Financial Bond” in the amount of RMB 3 billion in the domestic inter-bank market on 24 August 2017 which has a term of 3 years through maturity, with a fixed annual coupon rate of 4.96%.

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

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

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

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

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

26 Provisions

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Impairment allowance for financial guarantees and loan commitments	5,280	6,698	5,276	6,697

27 Other liabilities

	Note	The Group		The Bank	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Suspense accounts		24,084	24,656	24,079	24,656
Employee benefits payable		13,822	12,628	12,183	11,269
Advance from performance deposits and deposits		9,739	5,697	5,777	1,533
Lease liabilities	(1)	8,544	7,907	8,088	7,421
VAT and other taxes payable		3,889	4,820	3,089	3,514
Contract liabilities		2,832	3,290	1,954	2,073
Accrued expenses		1,406	1,374	1,391	1,251
Due to Trust Protection Fund		800	1,000	-	-
Others		5,525	6,318	3,450	3,032
Total		70,641	67,690	60,011	54,749

(1) Lease liabilities by maturity date

	The Group		The Bank	
	31 December 2020		31 December 2020	
	Undiscounted amount	Carrying amount	Undiscounted amount	Carrying amount
Within 1 year	2,757	2,709	2,648	2,601
1 to 2 years	2,159	2,041	2,081	1,967
2 to 3 years	1,642	1,494	1,575	1,433
3 to 5 years	1,887	1,630	1,783	1,541
Over 5 years	890	670	723	546
Total	9,335	8,544	8,810	8,088

28 Share capital

The Group and the Bank

	31 December 2020	31 December 2019
Domestic listed RMB ordinary share (A shares)	29,352	29,352

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

(2) As stated in Note III. 25 (21), the Bank made a public issuance of RMB 50 billion of A-share convertible corporate bonds in 2019 under the approval of CBIRC and other relevant regulatory authorities. As at 31 December 2020, a total of RMB 900,000 covertible corporate bonds were converted to ordinary share of the Bank, and the accumulated numbers of shares converted were 60,496.

29 Other equity instrument

The Group and the Bank

	Note	31 December 2020	31 December 2019
Other equity instruments included in the tier 1 capital of the Bank-Equity of SPDB - convertible corporate bonds	(1)	2,782	2,782
Other equity instruments included in other tier 1 capital of the Bank		109,909	59,916
Total		112,691	62,698

(1) As at 31 December 2020, the Equity of convertible corporate bonds issued by the Bank was RMB 2,782 million (2019: RMB 2,782 million), see note III. 25(21) for specific information.

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

Name of other equityinstruments outstanding	Dividend rate	Issuance Price (Yuan)	Number	Opening amount	Movements during the year	Closing amount	Maturity date or renewals	Conversion (Yes/No)
Jiangyinyou 1(a)	6% for the first five years; 5.58% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
Jiangyinyou 2(a)	5.5% for the first five years 4.81% for the second five years	100	150 million	15,000	-	15,000	No maturity date	No
19 SPDB Capital bonds with unfixed termss (b)	4.73% for the first five years	100	300 million	30,000	-	30,000	No maturity date	No
20 SPDB Capital bonds with unfixed termss (b)	4.75% for the first five years	100	500 million	-	50,000	50,000	No maturity date	No
Less: Issue expenses				(84)	(7)	(91)		
Carrying amount				59,916	49,993	109,909		

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 Capital reserves

	The Group		The Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Share premium	81,690	81,689	81,690	81,689
Other capital surplus				
- Capital increase of subsidiaries	50	50	-	-
- Others	21	21	21	21
Total	81,761	81,760	81,711	81,710

31 Surplus reserves

The Group and The Bank

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

	1 January 2019	Addition	31 December 2019
Statutory reserve	22,206	-	22,206
Discretionary reserve	87,511	16,088	103,599
Total	109,717	16,088	125,805

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

32 General risk reserve

The Group

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

	1 January 2019	Addition	31 December 2019
General risk reserve	75,946	303	76,249

The Bank

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

	1 January 2019	Change	31 December 2019
General risk reserve	74,900	-	74,900

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

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

33 Other reserves

The Group

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

		for the year from 1 January 2019 to 31 December 2019					
	Opening balance of other comprehensive income attributable to the Bank's Shareholders	Transfer in before tax	Less: transfer out	Less: income tax	Attributable to the Bank after tax	Attributable to minority shareholders after tax	Ending balance of other comprehensive income attributable to the Bank's Shareholders
Items that may be reclassified to profit or loss							
Financial investments measured at FVOCI							
- Fair value changes	3,240	4,186	(1,878)	(546)	1,760	2	5,000
- Impairment allowance	689	806	(95)	(66)	645	-	1,334
Exchange differences from the translation of foreign operations	296	(41)	-	-	(41)	-	255
Cash flow hedge reserve	-	(2)	-	-	(1)	(1)	(1)
Item that will not be reclassified to profit or loss							
Change in fair value of other equity instruments							
- Fair value changes	434	326	-	(81)	245	-	679
	4,659	5,275	(1,973)	(693)	2,608	1	7,267

The Bank

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

		for the year from 1 January 2019 to 31 December 2019				
	Opening balance of other comprehensive income	Transfer in before tax	Less: transfer out	Less: income tax	After tax	Ending balance of other comprehensive income
Items that may be reclassified to profit or loss						
Financial investments measured at FVOCI						
- Fair value changes	3,536	3,621	(1,566)	(514)	1,541	5,077
- Impairment allowance	555	534	(95)	(110)	329	884
Exchange differences from the translation of foreign operations	102	(72)	-	-	(72)	30
Item that will not be reclassified to profit or loss						
Change in fair value of other equity instruments						
- Fair value changes	434	326	-	(81)	245	679
	4,627	4,409	(1,661)	(705)	2,043	6,670

34 Profit appropriations

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

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

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

(ii) Appropriate RMB 3.1 billion as general reserve;

(iii) The Bank declared and distributed cash dividends of RMB 6 Yuan (tax included) for every 10 shares to all shareholders based on the total share capital of common stock on the date of equity registration for profit distribution, amounting to RMB 17,611 million.

(2) Profit distribution for the year ended 31 December 2018

Pursuant to the approval at the Shareholders' meeting on 24 April 2019, the Bank's profit distribution plan for the year ended 31 December 2018 is as follows:

(i) The Bank appropriated for discretionary surplus reserve at 30% of the profit after tax, amounting to RMB 16,088 million;

(ii) The Bank declared and distributed cash dividends of RMB 3.50 Yuan (tax included) for every 10 shares to all shareholders based on the total share capital of 29,352,080,397 ordinary shares at the end of 2018, amounting to RMB 10,273 million.

(3) Dividend distribution for preference shares

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

On 28 February 2020, the dividend distribution plan for Pufayou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 825 million in total (tax included) on 11 March 2020, which were calculated according to the coupon rate of Pufayou 2 (5.5%).

On 20 November 2019, the dividend distribution plan for Jiangyinyou 1 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 900 million in total (tax included) on 3 December 2019, which were calculated according to the rate of Pufayou 1 (6.0%).

On 1 February 2019, the dividend distribution plan for Jiangyinyou 2 was approved by the Board of Directors of the Bank. The Bank distributed dividends of RMB 825 million in total (tax included) on 11 March 2019, which were calculated according to the rate of Pufayou 2(5.5%).

(4) Interests payment of capital bonds with unfixed terms

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

35 Transfers of financial assets

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

Assets backed securitization transaction

For the year ended 31 December 2020, the Group transferred financial assets amounted to RMB 23,948 million through assets backed securitization transactions, and all have met the requirement of derecognition (For the year ended 31 December 2019, the Group transferred financial assets amounted to RMB 28,930 million through assets backed securitization transactions, and all have met the requirement of derecognition).

As at 31 December 2020, except for the aforementioned securitised transactions, the Group transferred credit assets of a original book value of RMB 22,276 million (31 December 2019: RMB 11,123 million) to securitised entities. The Group neither transfers nor retains substantially all of the risks and rewards related to ownership of the credit assets, but it retains control over the credit assets. The Group will recognise the assets on the balance sheet according to the degree of its continued involvement, and the rest will be derecognised. As at 31 December 2020, the assets value of the Group's continued recognition was RMB 2,639 million (31 December 2019: RMB 1,396 million).

Transfer of loans assets

For the year ended 31 December 2020, the Group directly transferred and derecognized a total amount of RMB 9,674 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition (For the year ended 31 December 2019, the Group directly transferred and derecognized a total amount of RMB 24,189 million loan assets to third parties, which were all non-performing loans to asset management companies and have met the requirement of derecognition).

Securities lending transaction

In the securities lending transaction, the counterparty may sell or re-use the above securities in the condition that no default exists, but at the same time bear the obligation to return the above securities on the expiration date specified in the agreement. For the above business, the Group believes that the Group retains most of the risks and rewards of the relevant securities and therefore does not derecognize the relevant securities. As at 31 December 2020, the carrying amount of the assets transferred by the Group in securities lending transactions was RMB 39,680 million (31 December 2019: RMB 59,540 million).

36 Involvement with unconsolidated structured entities

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

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

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

	The Group	
Carrying amount	31 December 2020	31 December 2019
Financial investments measured at FVTPL		
Fund investments	428,491	359,823
Capital trust and asset management plans	14,739	60,531
ABS	459	-
Wealth management products of other banks	-	90
Other investments	5,971	7,034
Financial investments measured at amortised cost		
Capital trust and asset management plans	360,756	368,384
ABS	280	1,361
Financial investments measured at FVOCI		
Asset management plans	44,424	147
ABS	7,818	9,093
Other equity investment	817	811

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

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

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, trust plan, fund investment and ABS. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2020, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2020, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, were RMB 1,345,500 million (31 December 2019: RMB 1,447,050 million) respectively.

During the year of 2020, the amount of the average exposure of financing transactions through reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB 59 million (2019: RMB 31 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

As at 31 December 2020, the amount of assets held by the unconsolidated capital trust and asset management plans, which are sponsored by the Group, were RMB 470,837 million (31 December 2019: RMB 560,521 million) respectively.

As at 31 December 2020, the amount of assets held by the unconsolidated fund investments, which are sponsored by the Group, were RMB 369,633 million (31 December 2019: RMB 390,304 million) respectively.

As at 31 December 2020, the amount of assets held by the unconsolidated ABS, which are sponsored by the Group, were RMB 108,034 million (31 December 2019: RMB 111,019 million) respectively.

(3) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2020

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB 65,445 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2019 but matured before 31 December 2019 was RMB 19,206 million).

The total amount of ABS issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB 625 million (there was no ABS issued by the Group after 1 January 2019 but matured before 31 December 2019).

There was no trust plans or investments in funds issued by the Group after 1 January 2020 and expired before 31 December 2020.

In 2020, the income earned by the group in the above-mentioned structured entities is not significant (2019: not significant).

37 Interests in other entities

(1) Interests in major subsidiaries

(i) Major subsidiaries of the Group

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

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

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

(ii) Relevant information of major partly-owned subsidiaries

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

(2) Interests in joint ventures and associates

(i) General information of major joint ventures and associates

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

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

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

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

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

IV SEGMENT REPORTING

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

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

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

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

In accordance with the Outline for the Integrated Development of the Yangtze River Delta issued by the State Council, the Group has reclassified the branches in Anhui from Central China to Yangtze River Delta and restated the corresponding comparatives figures.

In addition, the Group has adjusted the comparative figures in accordance with this classification based on the profit or loss distribution plan of the relevant business in each region during the year.

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

	31 December 2020									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	322,092	65,333	491,756	62,422	19,030	25,264	9,284	65,749	(702)	30,228
Total segment assets	104,531	93,480	636,595	01,649	67,591	74,494	9,368	73,707	23,258)	58,157
Deposits from customers	121,828	89,815	535,105	80,717	23,622	40,547	38,168	94,352	(1,747)	22,407
Total segment assets	505,983	70,863	627,999	94,693	64,949	92,335	27,855	51,522	23,258)	12,941
Net position of segment assets and liabilities	598,548	2,617	8,596	6,956	2,642	17,841)	1,513	22,185	-	45,216

	For the year from 1 January 2019 to 31 December 2019									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Interest income	69,644	,625	39,646	52,017	38,564	37,235	15,623	11,864	4,451)	97,767
Including:										
External interest income	33,438	,206	18,385	22,392	22,510	22,942	9,175	10,719	-	97,767
Internal interest income	36,206	,419	21,261	29,625	16,054	14,293	6,448	1,145	4,451)	-
Interest expense	11,799)	,647)	0,540)	8,910)	5,428)	7,415)	1,447)	(8,509)	)4,451	53,244)
Including:										
External interest expense	5,241)	,264)	0,710)	16,045)	3,043)	(6,343)	(4,093)	(7,505)	-	53,244)
Internal interest expense	6,558)	,383)	9,830)	22,865)	7,385)	21,072)	(7,354)	(1,004)	)4,451	-
Net interest income	57,845	,978	9,106	13,107	3,136	9,820	4,176	3,355	-	44,523
Net fee and commission income	15,527	(226)	1,765	1,238	671	828	484	4,487	-	24,774
Net trading income	11,766	748	349	644	353	234	178	1,592	-	15,864
Net gains arising from financial investments	1,430	-	-	-	-	-	-	183	-	1,613
Other operating income	1,695	123	50	163	37	67	13	1,581	-	3,729
Operating expenses	14,786)	,197)	(3,497)	(4,688)	3,551)	(3,899)	(1,770)	(3,930)	-	46,318)
Impairment losses	35,872)	,310)	(4,110)	12,576)	5,224)	10,183)	(2,684)	(1,748)	-	74,707)
Share of profits associates and joint ventures	158	-	-	-	-	-	-	13	-	171
Total segment profit / (loss) before tax	37,763	2,116	3,663	2,112)	5,422	(3,133)	397	5,533	-	69,649

	31 December 2019									
	Headquarters	Yangtze River Delta	Pearl River Delta and West Side of Taiwan Strait	Bohai Rim	Central China	Western China	North-east China	Overseas and subsidiaries	Elimination	Total
Loans and advances to customers	627,975	89,590	399,324	77,637	57,269	90,269	5,552	54,699	(1,565)	30,750
Total segment assets	284,348	98,507	519,869	06,897	25,227	50,834	0,710	26,548	29,642)	13,298
Deposits from customers	157,228	59,865	426,262	41,551	01,679	04,583	50,601	04,653	(4,580)	61,842
Total segment assets	775,825	59,621	516,299	08,736	19,867	54,338	80,064	07,671	29,642)	52,779
Net position of segment assets and liabilities	508,523	8,886	3,570	(1,839)	5,360	(3,504)	646	18,877	-	60,519

V CONTINGENCIES AND COMMITMENTS

1 Credit commitments

The Group's credit commitments are listed as follows:

	31 December 2020	31 December 2019
Bank acceptance bills	553,527	473,598
Letters of credit issued	176,517	162,473
Letters of guarantee issued	112,564	88,940
Credit cards and loan commitments	525,923	457,683
Total	1,368,531	1,182,694

2 Commitment on redemption of certificate treasury bonds

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

As at 31 December 2020, the outstanding principal value of the treasury bonds sold by the Group amounted to RMB 4,025 million (31 December 2019: RMB 4,401 million).

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

3 Capital commitments

As at 31 December 2020, the major capital commitments the Group had signed but not paid amounted to RMB 3,879 million (31 December 2019: RMB 3,640 million). Additionally, as at 31 December 2020, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had signed but not paid was RMB 6,218 million.

As at 31 December 2020, the major capital commitments the Group had approved but not signed amounted to RMB 3,595 million (31 December 2019: RMB 292 million). Additionally, as at 31 December 2020, the amount of the procurement plan of financial lease commitments and operating fixed assets that the Bank's subsidiaries had approved but not signed was RMB 177 million.

4 Legal proceedings

As at 31 December 2020, the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 148 and 126, respectively. The corresponding amount involved was about RMB 1,746 million and RMB 677 million, respectively. Except for the loss provision made for particular cases in the amount of RMB 520 million, the possibility of loss for other cases were assessed as not large.(As at 31 December 2019, , the number of outstanding legal proceedings where the Group acts as the defendant and third party defendant was 153 and 92, respectively. The corresponding amount involved was about RMB 2,216 million and RMB 220 million, respectively. The Group assessed the possibility of loss from reparations being not large, so no provisions was accrued during the year).

VI FIDUCIARY BUSINESSES

The Group provides safe-keeping and entrusted loan businesses to independent third party customers. The assets arising from these businesses are not recorded on the Group's balance sheet. As at 31 December 2020, the balance of entrusted loan business was RMB 107,147 million (As at 31 December 2019: RMB 137,221 million).

VII RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

As at 31 December 2020 and 31 December 2019, major shareholders holding more than 5% ordinary shares of the Bank are as follows:

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

As at 31 December 2020, Shanghai International Group Co., Ltd. hold XX% of the Bank's convertiable bond, China Mobile Group Guangdong Company Limited hold XX% of the Bank's convertiable bond.

2 Subsidiaries

For general information of the Group's subsidiaries, please refer to Note III.37(1) "Interests in other entities".

3 Joint ventures and associates

For general information of the joint ventures and associates, please refer to Note III. 37(2) "Interests in other entities".

4 Other major related parties

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

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

5 Transactions and balances with related parties

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

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

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

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

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

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Amounts of significant transactions from 1 January 2019 to 31 December 2019 are listed below:							
Interest income	-	-	366	43	1	410	0.15%
Interest expense	(349)	(22)	(1,535)	(294)	(1)	(2,201)	1.44%
Net Fee and commission income	-	195	18	20	-	233	0.46%
Net trading income	-	92	-	103	-	195	1.23%
Share of profits associates and joint ventures	-	171	-	-	-	171	100.00%
Operating expenses	(17)	-	(256)	-	-	(273)	0.59%
Other comprehensive income	-	-	-	16	-	16	0.61%

	Major shareholders	Joint ventures and associates	Other major related parties - group companies of major shareholders (exclusive)	Other major related parties - companies with significant influence by key management personnel (exclusive)	Other major related parties - individuals	Total	Proportion of relavent transactions and balances
Significant item balances at 31 December 2019：							
Deposits and placements with banks and other financial institutions	-	-	1,567	-	-	1,567	0.57%
Loans and advances to customers	-	-	491	877	30	1,398	0.04%
Derivative financial assets	-	1	-	540	-	541	1.40%
Financial investments measured at:							
- FVTPL	-	-	-	916	-	916	0.18%
- amortized cost	-	-	-	40	-	40	0.00%
- FVOCI	-	-	-	1,803	-	1,803	0.36%
Investments in associates and Joint Ventures	-	2,049	-	-	-	2,049	100.00%
Deposits and placements from banks and other financial institutions	-	(1,981)	(20,585)	(10,771)	-	(33,337)	2.87%
Derivative financial liabilities	-	-	-	(450)	-	(450)	1.08%
Deposits from customers	(4,421)	(1,747)	(43,542)	(10,084)	(57)	(59,851)	1.63%
Significant off-balance item at 31 December 2019							
Letters of guarantee issued	-	-	2,529	-	-	2,529	2.84%
Letters of credit issued	-	6	44	-	-	50	0.03%
Credit card commitment	-	-	-	-	24	24	0.01%

Note1: As at 31 December 2019, key management of the Bank possessed a total number of 808,200 shares of common stock issued by the Bank. They have obtained relavent cash dividends of their shares regularly.

Note2: On 31 December 2019, Shanghai International Group Co., Ltd. and its subsidiaries hold a 14.66% of the convertible corporate bonds issued by the Bank and China Mobile Guangdong Co., Ltd., directly holds 18.17% of the convertible corporate bonds issued by the Bank.

6 Related parties that are controlled by the Bank

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

Balances at the year end：	31 December 2020	31 December 2019
Deposits and placements with banks and other financial institutions	5,123	5,784
Loans and advances to customers	702	1,565
Deposits and placements from banks and other financial institutions	10,155	8,076
Deposits from customers	1,747	4,580
Others	23	26
Transactions during the year：	2020	2019
Interest income from deposits and placemets from banks and other financial institutions	166	226
Interest income from loans and advances to customers	31	51
Interest expenses on deposits from banks and other financial institutions	250	271
Interest expenses on deposits from customers	68	78
Fee and commission income	66	88
Fee and commission expense	126	114
Other income	2	2

7 Compensation of key management personnel

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

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

	2020	2019
Compensation of key management personnel	32	36

The Compensation of key management personnel are remuneration without social insurance paid in 2020 to the directors, supervisor and senior management of the Bank in past 12 months or will do so in the next 12 months according to the relevant contract arrangement.

8 Transactions with the annuity plan

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

VIII FINANCIAL RISK MANAGEMENT

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

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

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

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

1 Credit risk

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

(1) Credit risk management

(i) Loans

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

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

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

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

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

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

Collaterals or pledged assets	Maximum loan-to-value ratio
Time deposits	92% - 100%
Government bonds	90% - 100%
Financial bonds	95%
Corporate bonds (including financial institutions)	80%
Right to collect fees	60% - 70%
Franchise right	50%
Commercial property and standard plant	60%
Residential property	70%
Land tenure	50% - 60%

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

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

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

(ii) Bonds and other bills

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

(iii) Other financial assets measured at amortized cost

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

(iv) Inter-bank transactions

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

(v) Derivative financial instruments

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

(vi) Credit commitments

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

(vii) Trust plan

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

(2) Credit risk measurement

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

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

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

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

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

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

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

(3) ECL measurement

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

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

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

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

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

Credit risk grading

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

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

Stage division

Significant increase in credit risk (“SICR”)

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

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

Quantitative criteria:

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

Qualitative criteria:

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

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

Upper limit:

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

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

Default and *credit-impaired*

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

Qualitative criteria:

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

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

Upper limit:

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

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

Explanation of parameters, assumptions and estimation techniques of ECL model

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

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

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

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

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

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

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

Forward-looking information incorporated in the ECL model

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

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

In addition to the base economic scenario, the Group has also set up other scenarios based on analysis of each major product type. The number and attributes of scenarios are reassessed at each reporting date. As at 31 December 2020 and 31 December 2019, the scenario weightings are determined by combination of statistical analysis and expert judgement, taking into account of the range of possible outcomes represented by scenarios. The Group adopts the base and lifetime PD with scenario weightings, along with qualitative and upper limit criteria to determine whether the credit risk has increased significantly. The determination of financial instrument stage indicates the measurement of the loss allowance at an amount equal to the 12-month or lifetime ECL accordingly. The Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

On 31 December 2020, the Group has taken the macroeconomic under the impact of COVID-19 into account when developing forward-looking macroeconomic indicators and economic scenario weighting.

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

Combination method for evaluation of expected credit risk

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

Corporate loans and financial investments

- Industry
- Collateral type

Retail loans

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

(4) Maximum exposure to credit risk

Financial assets and guarantee commitment subject to impairment

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

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

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	471,741	-	-	471,741
Deposits and placements with banks and other financial institutions	276,332	30	-	276,362
Financial assets purchased under resale agreements	2,873	-	-	2,873
Loans and advances to customers measured at				
- Amortized cost	3,373,475	116,975	24,185	3,514,635
- FVOCI	412,457	188	290	412,935
Financial investment measured at				
- Amortized cost	1,071,351	1,052	2,524	1,074,927
- FVOCI	495,853	879	776	497,508
Other financial assets	60,496	1,152	711	62,359
Total	6,164,578	120,276	28,486	6,313,340

	31 December 2020 Maximum exposure to credit risk	31 December 2019 Maximum exposure to credit risk
Commitment and guarantee		
Bank acceptance notes	551,226	471,274
Letters of credit issued	176,235	162,001
Letters of guarantee issued	112,372	87,542
Credit cards and other commitments	523,418	455,179
Total	1,363,251	1,175,996

(5) Credit-impaired loans and advances to customers

The Group closely monitors collateral held for financial assets considered to be credit-impaired, because the Group is more likely to confiscate these collateral to reduce potential credit losses comparing to other collaterals. As at 31 December 2020, carrying amount of the Group's loans and advances to customers that are credit-impaired is RMB 90,497 million (31 December 2019: RMB 83,999 million), in which the loans covered by collaterals are amounting to RMB 32,966 million (31 December 2019: RMB 30,551 million).

(6) Bonds and other investments

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

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

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

Investments denominated in RMB	31 December 2019 Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
Medium or long term				
AAA	14,096	398,495	146,716	559,307
AA+ to AA-	442	23,730	5,135	29,307
A+ to A-	-	-	187	187
Short term				
A-1	2,126	-	966	3,092
Unrated-Bonds	111,284	651,488	274,233	1,037,005
	127,948	1,073,713	427,237	1,628,898

Investments denominated in foreign currencies	31 December 2019 Financial investments measured at FVTPL	Financial investments measured at amortized cost	Financial investments measured at FVOCI	Total
AAA	1,819	31	324	2,174
AA	7	-	477	484
A and below A	2,540	324	18,873	21,737
Unrated-Bonds	494	859	50,597	51,950
	4,860	1,214	70,271	76,345

2 Market risk

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

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

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

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

(1) Currency risk

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

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

	31 December 2019				
	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Cash and deposits with central bank	460,186	12,480	4,873	314	477,853
Deposits and placements with banks and other financial institutions	166,670	92,546	10,890	6,256	276,362
Derivative financial assets	37,897	251	556	15	38,719
Financial assets purchased under resale agreements	2,873	-	-	-	2,873
Loans and advances to customers	3,785,846	108,185	25,685	11,034	3,930,750
Financial investments:					
- FVTPL	496,006	9,091	221	-	505,318
- AC	1,073,713	577	606	31	1,074,927
- FVOCI	433,031	64,544	2,498	3,229	503,302
Other financial assets	23,309	34,097	2,665	2,288	62,359
Total financial assets	6,479,531	321,771	47,994	23,167	6,872,463
Borrowing from central bank	233,423	-	-	-	233,423
Deposits and placements from banks and other financial institutions	1,035,761	101,302	19,924	6,382	1,163,369
Financial liabilities measured at FVTPL	8,327	14,968	-	-	23,295
Derivative financial liabilities	40,378	560	558	7	41,503
Financial assets sold under repurchase agreement	213,340	14,243	-	-	227,583
Deposits from customers	3,425,104	204,740	25,181	6,817	3,661,842
Debt securities issued	968,868	33,937	697	-	1,003,502
Other financial liabilities	40,519	1,843	1,602	405	44,369
Total financial liabilities	5,965,720	371,593	47,962	13,611	6,398,886
Net position of financial instruments	513,811	(49,821)	32	9,556	473,578
Currency derivatives	(53,342)	56,955	1,222	(3,978)	857
Credit commitments	1,102,487	58,105	8,164	7,240	1,175,996

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

Net profit	31 December 2020		31 December 2019	
	Exchange rate fluctuation %		Exchange rate fluctuation %	
(Decrease) / Increase	-1%	1%	-1%	1%
USD against RMB	(74)	74	(54)	54
Other currencies against RMB	(202)	202	(61)	61

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

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

(2) Interest rate risk

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

The Group determines the loan interest rate in accordance with the relevant provisions of the PBOC.

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

The Group mainly uses appropriate measurement methods and tools (such as repricing gap analysis, duration analysis, sensitivity analysis and scenario simulation) to measure and monitor the interest rate risk. During the reporting period, the Bank adhered to the neutral and prudent risk appetite for interest rate risk in the banking book, enhanced the research and judgment on domestic and foreign macro policies as well as monetary policies, carried out dynamic monitoring and forward-looking risk management based on interest rate liberalization, trends of interest rate curve and impacts of loan prime rate (hereinafter referred to as "LPR") reform; During the reporting period, the Group promoted LPR pricing in accordance with relevant regulations issued by People's Bank of China, guided the adjustments of business scale and term structure based on risk management strategies as well as asset and liability business objectives through asset and liability active configuration tools and price tools, operated with procyclicality, maintained the interest rate risk indicators within the risk appetite of the Board of Directors and kept sustainable operation; Meanwhile, according to the LPR reform, the Group enhanced the research on the hedging tools of interest rate risk in the banking book, improve the hedging tool development of off-balance-sheet derivatives for the interest risk exposure.

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

	31 December 2020						
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	475,170	-	-	-	-	13,918	489,088
Deposits and placements with banks and other financial institutions	145,265	77,121	138,919	22,210	-	2,412	385,927
Derivative financial assets	-	-	-	-	-	63,589	63,589
Financial assets purchased under resale agreements	36,495	24	-	-	-	7	36,526
Loans and advances to customers	1,210,020	453,250	1,367,398	1,178,360	205,829	15,371	4,430,228
Financial investments measured at:							
- FVTPL	17,690	11,188	19,821	19,292	12,500	468,658	549,149
- Amortized cost	68,004	78,127	126,051	510,316	371,286	15,993	1,169,777
- FVOCI	23,911	23,786	74,142	315,058	133,078	13,646	583,621
Other financial assets	-	-	9,964	-	-	71,132	81,096
Total financial assets	1,976,555	643,496	1,736,295	2,045,236	722,693	664,726	7,789,001
Liabilities							
Borrowing from central bank	23,503	25,811	221,968	-	-	3,064	274,346
Deposits and placements from banks and other financial institutions	863,324	259,043	233,691	5,944	225	3,345	1,365,572
Financial liabilities measured at FVTPL	-	-	-	-	-	16,057	16,057
Derivative financial liabilities	-	-	-	-	-	61,146	61,146
Financial assets sold under repurchase agreements	186,309	30,578	15,396	-	-	63	232,346
Deposits from customers	1,947,776	996,377	494,734	637,591	6	45,923	4,122,407
Debt securities issued	88,462	283,982	448,189	164,676	150,378	4,966	1,140,653
Other financial liabilities	5,220	1,554	2,838	5,165	670	31,986	47,433
Total financial liabilities	3,114,594	1,597,345	1,416,816	813,376	151,279	166,550	7,259,960
Total interest repricing gap	(1,138,039)	(953,849)	319,479	1,231,860	571,414	498,176	529,041

	31 December 2019						
	Within a month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and deposits with central bank	457,557	-	-	-	-	20,296	477,853
Deposits and placements with banks and other financial institutions	105,550	48,213	100,348	20,293	-	1,958	276,362
Derivative financial assets	-	-	-	-	-	38,719	38,719
Financial assets purchased under resale agreements	2,433	426	-	-	-	14	2,873
Loans and advances to customers	1,991,427	472,683	1,265,840	155,516	30,376	14,908	3,930,750
Financial investments measured at:							
- FVTPL	8,513	4,632	39,650	39,121	21,594	391,808	505,318
- Amortized cost	48,083	36,282	191,243	510,980	272,557	15,782	1,074,927
- FVOCI	4,144	10,748	57,516	277,470	140,382	13,042	503,302
Other financial assets	-	-	11,858	-	-	50,501	62,359
Total financial assets	2,617,707	572,984	1,666,455	1,003,380	464,909	547,028	6,872,463
Liabilities							
Borrowing from central bank	6,880	10	223,799	-	-	2,734	233,423
Deposits and placements from banks and other financial institutions	630,040	242,473	281,197	6,171	378	3,110	1,163,369
Financial liabilities measured at FVTPL	-	-	-	-	-	23,295	23,295
Derivative financial liabilities	-	-	-	-	-	41,503	41,503
Financial assets sold under repurchase agreements	182,515	24,038	20,920	-	-	110	227,583
Deposits from customers	2,188,505	422,188	492,649	524,303	208	33,989	3,661,842
Debt securities issued	87,959	221,984	451,899	88,965	147,819	4,876	1,003,502
Other financial liabilities	1,785	346	2,586	4,526	887	34,239	44,369
Total financial liabilities	3,097,684	911,039	1,473,050	623,965	149,292	143,856	6,398,886
Total interest repricing gap	(480,518)	(338,055)	193,405	379,415	315,617	403,713	473,577

Note: Financial assets listed as within 1 month include overdue amount at 31 December 2020 and 31 December 2019 (less provision for impairment).

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

	31 December 2020		31 December 2019	
	Interest rate fluctuation (Basis points)		Interest rate fluctuation (Basis points)	
	-100	+100	-100	+100
(Decrease) / increase in net profit	(3,885)	3,885	(2,112)	2,112
Increase / (decrease) in other comprehensive income under equity	12,345	(11,554)	14,327	(13,392)

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

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

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

3 Liquidity risk

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

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

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

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

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

	31 December 2020							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets								
Cash and deposits with central bank	149,819	-	-	-	-	-	339,269	489,088
Deposits and placements with banks and other financial institutions	103,841	114,442	147,845	23,308	-	-	-	389,436
Financial assets purchased under resale agreements	-	36,531	-	-	-	-	-	36,531
Loans and advances to customers	-	1,086,568	1,583,741	1,299,419	1,370,669	52,444	-	5,392,841
Financial investments measured at:								
- FVTPL	461,322	26,990	21,519	40,799	16,723	4,839	7,336	579,528
- Amortized cost	-	135,900	153,363	614,784	449,321	42,730	-	1,396,098
- FVOCI	-	43,087	89,221	364,340	151,446	1,005	5,835	654,934
Other financial assets	72,674	-	-	-	-	2,316	10,480	85,470
Total financial assets	787,656	1,443,518	1,995,689	2,342,650	1,988,159	103,334	362,920	9,023,926
Liabilities								
Borrowing from central bank	-	50,915	228,531	-	-	-	-	279,446
Deposits and placements from banks and other financial institutions	631,962	494,366	238,289	6,349	279	-	-	1,371,245
Financial liabilities measured at FVTPL	15,032	-	63	316	646	-	-	16,057
Financial assets sold under repurchase agreements	-	217,117	15,501	-	-	-	-	232,618
Deposits from customers	1,953,776	1,025,276	517,063	732,241	7	-	-	4,228,363
Debt securities issued	-	371,987	470,172	203,787	179,193	-	-	1,225,139
Other financial liabilities	29,895	5,868	3,188	7,845	1,463	-	-	48,259
Total financial liabilities	2,630,665	2,165,529	1,472,807	950,538	181,588	-	-	7,401,127
Net liquidity	(1,843,009)	(722,011)	522,882	1,392,112	1,806,571	103,334	362,920	1,622,799
Derivative financial instruments								
- Inflow	-	200,410	131,818	47,467	42	-	-	379,737
- Outflow	-	199,590	130,508	47,240	156	-	-	377,494
Net value of derivative financial instruments	-	820	1,310	227	(114)	-	-	2,243
Credit commitments	471,703	311,621	544,221	38,179	2,807	-	-	1,368,531

	31 December 2019							
	Repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	No maturity	Total
Assets								
Cash and deposits with central bank	113,420	-	-	-	-	-	364,433	477,853
Deposits and placements with banks and other financial institutions	58,646	86,097	115,741	23,319	-	-	-	283,803
Financial assets purchased under resale agreements	-	2,878	-	-	-	-	-	2,878
Loans and advances to customers	-	928,356	1,541,022	1,160,732	1,201,250	62,430	-	4,893,790
Financial investments measured at:								
- FVTPL	386,666	12,683	41,829	78,364	26,497	4,293	5,142	555,474
- Amortized cost	-	88,640	220,592	604,506	313,863	7,270	-	1,234,871
- FVOCI	-	40,423	70,902	318,657	160,972	244	5,794	596,992
Other financial assets	47,472	-	-	-	-	2,534	12,353	62,359
Total financial assets	606,204	1,159,077	2,002,439	2,185,578	1,702,582	76,771	387,722	8,108,020
Liabilities								
Borrowing from central bank	-	7,109	231,185	-	-	-	-	238,294
Deposits and placements from banks and other financial institutions	328,115	546,831	287,976	6,399	477	-	-	1,169,798
Financial liabilities measured at FVTPL	21,393	-	114	1,214	574	-	-	23,295
Financial assets sold under repurchase agreements	-	206,788	21,120	-	-	-	-	227,908
Deposits from customers	1,552,581	1,073,724	566,834	547,530	247	-	-	3,740,916
Debt securities issued	-	300,735	472,658	126,479	165,821	-	-	1,065,693
Other financial liabilities	31,284	933	3,127	7,732	1,333	-	-	44,409
Total financial liabilities	1,933,373	2,136,120	1,583,014	689,354	168,452	-	-	6,510,313
Net liquidity	(1,327,169)	(977,043)	407,072	1,496,224	1,534,130	76,771	387,722	1,597,707
Derivative financial instruments								
- Inflow	-	163,350	209,554	50,990	27	-	-	423,921
- Outflow	-	164,686	211,447	50,829	82	-	-	427,044
Net value of derivative financial instruments	-	(1,336)	(1,893)	161	(55)	-	-	(3,123)
Credit commitments	432,004	277,360	424,134	48,272	924	-	-	1,182,694

4 Fair value of financial instruments

(1) Fair value hierarchy

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

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

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

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

(2) Financial instruments not measured at fair value

Financial assets and financial liabilities not measured at fair value in the statement of financial position mainly include: deposits with central banks, deposits and placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers (measured at amortized cost), financial investment measured at amortized cost, borrowing from central bank, deposits and placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers, lease liabilities and bonds issued.

The book value and corresponding fair value of financial investment not measured at fair value (financial investment measured at amortized cost) and bonds issued as at 31 December 2020 and 31 December 2019 are listed in the following table.

	31 December 2020				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial investment measured at amortized cost	69,777	-	957,148	221,417	78,565
Financial liabilities:					
Debt securities issued	40,653	-	142,652	-	42,652

	31 December 2019				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial investment measured at amortized cost	74,927	-	304,624	282,208	86,832
Financial liabilities:					
Debt securities issued	03,502	-	012,359	-	12,359

(i) Financial investment measured at amortized cost

The fair value of financial investments measured at amortized cost is based on market quotes, and therefore belongs to the first level. If the relevant market information of debt investments cannot be obtained, then the discounted cash flow model is used for the valuation of fair value, which belongs to Level 3. Where applicable, the fair value of financial investments measured at amortized cost are determined with reference to the valuation results of China Central Depository & Clearing Co., Ltd., China Securities Index Co., Ltd. or Bloomberg, which belongs to Level 2.

(ii) Debt securities issued

The fair value of bonds issued is based on public quotes on the market. For bonds that cannot be quoted in the market, the fair value is determined by the discounted cash flow method and is based on the actual return rate matching the remaining maturity of the bond.

In addition to the above financial assets and financial liabilities, the fair value of other financial assets and financial liabilities that are not measured at fair value in the statement of financial position are deteremined with the discounted future cash flow method. There is no significant difference between their book value and fair value because these financial instruments have a shorter duration, or their interest rates fluctuate with market interest rates.

(3) Assests and liabilities measured at fair value a recurring basis

The following table presents the fair value information and the fair value hierarchy of the Group's assets and liabilities which are measured at fair value a recurring basis.

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	425,124	470	2,958	428,552
- Bonds	3,652	63,005	298	66,955
- Fund trust and asset management plan	-	8,491	11,803	20,294
- Beneficiary certificates	-	18,651	-	18,651
- Equity	3,559	220	1,325	5,104
- Interbank Certificates of Deposit	-	2,988	-	2,988
- ABS	-	562	-	562
- Wealth management products	-	-	72	72
- Other	-	-	5,971	5,971
Financial investments measured at FVOCI				
- Bonds	48,180	465,133	-	513,313
- Fund trust and asset management plan	-	43,997	1,014	45,011
- ABS	-	7,818	-	7,818
- Interbank Certificates of Deposit	-	3,833	-	3,833
- Equity	375	-	4,643	5,018
- Other equity investments	-	-	817	817
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	416,881	-	416,881
- Trade financing	-	5,627	-	5,627
FVTPL				
- Discounted bills	-	15,336	-	15,336
- Trade financing	-	2,944	-	2,944
Derivative financial assets	-	63,589	-	63,589
Total financial assets	480,890	1,119,545	28,901	1,629,336
Derivative financial liabilities	-	61,146	-	61,146
Financial liabilities measured at FVTPL				
- Financial liabilities related to precious metals	5,236	831	-	6,067
- Interest of other unit holders in consolidated structured entities	8,330	181	1,479	9,990
Total financial liabilities	13,566	62,158	1,479	77,203

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial investments:				
Financial investments measured at FVTPL				
- Fund	358,371	-	2,485	360,856
- Fund trust and asset management plan	-	17,273	48,040	65,313
- Bonds	2,310	60,572	407	63,289
- Equity	2,687	-	1,619	4,306
- Interbank Certificates of Deposit	-	4,424	-	4,424
- Wealth management products	-	-	90	90
- ABS	-	6	-	6
- Other	-	-	7,034	7,034
Financial investments measured at FVOCI				
- Bonds	52,676	421,261	-	473,937
- Interbank Certificates of Deposit	-	11,653	-	11,653
- ABS	-	9,093	-	9,093
- Fund trust and asset management plan	-	344	2,481	2,825
- Equity	397	-	4,586	4,983
- Fund	-	-	811	811
Loans and advances to customers measured at:				
FVOCI				
- Discounted bills	-	412,900	-	412,900
- Trade financing	-	35	-	35
FVTPL				
- Discounted bills	-	2,080	-	2,080
- Trade financing	-	1,100	-	1,100
Derivative financial assets	-	38,719	-	38,719
Total financial assets	416,441	979,460	67,553	1,463,454
Derivative financial liabilities	-	41,503	-	41,503
Financial liabilities measured at FVTPL				
- Financial liabilities related to precious metals	18,464	-	-	18,464
- Interest of other unit holders in consolidated structured entities	2,929	45	1,857	4,831
Total financial liabilities	21,393	41,548	1,857	64,798

The Group takes the date of the event that caused the transfer between levels as the date of the transfer. There is no transfer between the first and second levels this year.

(i) Level 2 Financial Instruments

The fair value of financial instruments that are not traded in an active market (such as OTC derivatives) is determined using valuation techniques. Valuation techniques use observable market data (if any) as much as possible, and rely as little as possible on the entity's specific estimates. If all significant inputs required to calculate the fair value of a financial instrument are observable data, the financial instrument is included in level 2. If one or more significant inputs

are not based on observable market data, the financial instrument is included in level 3.

The financial instruments classified by the Group as level 2 mainly include bonds, foreign exchange forwards and swaps, interest rate swaps and foreign exchange options. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Foreign exchange forwards and swaps, interest rate swaps, foreign exchange options are valued using cash flow discounts and the Blair-Scholes model. All significant valuation parameters are obtained from observable market information.

(ii) Level 3 Financial Instruments

The changes in the Group's Level 3 assets and liabilities as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial liabilities measured at FVTPL	Total
1 Janurary 2020	59,675	7,878	(1,857)	65,696
Additions	3,665	740	(1,313)	3,092
Disposals and settlements	(41,243)	(2,010)	1,652	(41,601)
Total gains / (losses) recorded in profit or loss	330	311	39	680
Total gains / (losses) recorded in other comprehensive income	-	(445)	-	(445)
31 December 2020	22,427	6,474	(1,479)	27,422
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2020 for the positions held at 31 December 2020	(843)	-	14	(829)

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial liabilities measured at FVTPL	Total
1 Janurary 2019	62,343	4,853	(9,282)	57,914
Additions	20,152	4,479	(819)	23,812
Disposals and settlements	(23,946)	(2,168)	8,371	(17,743)
Total gains / (losses) recorded in profit or loss	1,126	386	(127)	1,385
Total gains / (losses) recorded in other comprehensive income	-	328	-	328
31 December 2019	59,675	7,878	(1,857)	65,696
Unrealised gains or losses recognised in profit or loss for the year ended 31 December 2019 for the positions held at 31 December 2019	(756)	-	(22)	(778)

The relevant information of Level 3 of fair value measurement using important unobservable input values is as follows:

31 December 2020	Fair value	Valuation method	Unobservable inputs
Financial investments:			
Financial investments measured at FVTPL			
- Fund trust and asset management plan	10,997	Income approach	Discount rate
	806	Refer to recent transactions	NA
- Equity	1,325	Income approach	Discount rate
- Fund	2,958	Refer to recent transactions	NA
- Bonds	298	Income approach	Discount rate
- Wealth management products	72	Income approach	Discount rate
- Other	5,971	Refer to recent transactions	Discount rate
	22,427		
Financial investments measured at FVOCI			
- Fund trust and asset management plan	1,014	Income approach	Discount rate
- Equity	1,657	Refer to recent transactions	NA
	2,860	Market approach	Liquidity discount P/B ratio
	126	Market approach	Liquidity discount P/E ratio
- Other equity investments	50	Market approach	Liquidity discount P/B ratio
	767	Refer to recent transactions	NA
	6,474		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	1,479	Note 1	Note 1

31 December 2019	Fair value	Valuation method	Unobservable inputs
Financial investments:			
Financial investments measured at FVTPL			
- Fund trust and asset management plan	47,227	Income approach	Discount rate
	813	Refer to recent transactions	NA
- Equity	1,619	Income approach	Discount rate
- Fund	2,485	Refer to recent transactions	NA
- Bonds	407	Income approach	Discount rate
- Wealth management products	90	Income approach	Discount rate
- Other	7,034	Note 1	Note 1
	59,675		
Financial investments measured at FVOCI			
- Fund trust and asset management plan	2,481	Income approach	Discount rate
- Equity	1,149	Refer to recent transactions	NA
	3,287	Market approach	Liquidity discount P/B ratio
	150	Market approach	Liquidity discount P/E ratio
- Fund	763	Refer to recent transactions	NA
	48	Market approach	Liquidity discount P/B ratio
	7,878		
Financial liabilities measured at FVTPL			
- Interest of other unit holders in consolidated structured entities	1,857	Note 1	Note 1

Note1: The fair value of the interest of other unit holders in consolidated structured entities is the amount attributable to the investor of the structured entity based on the net value of the structured entity.

5 Offsetting of financial assets and financial liabilities

Some financial assets and financial liabilities in the Group follow executable net amount settlement arrangements or similar agreements. Such arrangements with the Group and counterparties normally allow the net amount settlement under agreements of both parties. If no agreement is reached, it would be settled in full amount. But one party could choose to settle in net amount under the condition that the other party violates the agreement. According to the requirements of the Accounting Standards for Business Enterprises, the Group did not offset these financial assets and financial liabilities.

As at 31 December 2020, the amount of the Group's financial assets and financial liabilities following executable net amount settlement arrangements or similar agreements is not significant.

6 Capital management

The objectives of the Group's capital management are to:

(1) Satisfy regulatory requirements for capital adequacy ratio on an ongoing basis, ensure operational compliance to ultimately optimise capital stock and structure.
(2) Ensure adequate capital for resisting corresponding risks, realise the operational safety, and keep capital at an adequate and reasonable level.
(3) Establish a capital allocation and management system that focuses on economic capital, optimise the resource allocation and management control mechanism at the group level, achieve capital intensive management to ultimately maximise shareholders' value.

The Group manages its capital structure and adjust it based on the changes in economic condition and the risk characteristics. Generally, the mechanism of adjusting the capital structure comprises dividend distribution policies and issuance of additional capital instruments such as tier 1 capital instruments and tier 2 capital instruments, etc.

In China, commercial banks should meet the requirements for capital adequacy ratio set out in the Administrative Measures on the Capital of Commercial Banks (for Trial Implementation). Specifically, for domestic systematically important banks, capital adequacy ratio of core tier 1 capital shall not be less than 8.50%, capital adequacy ratio of tier 1 capital shall not be less than 9.50% and capital adequacy ratio shall not be less than 11.50%. For banks not classified as systemically important banks, capital adequacy ratio of core tier 1 capital shall not be less than 7.50%, capital adequacy ratio of tier 1 capital shall not be less than 8.50% and capital adequacy ratio shall not be less than 10.50%. PBOC and CBIRC have developed the Measures for the Assessment of Systemically Important Banks which shall be implemented with effect from 1 January 2021.

	The Group	
	31 December 2020	31 December 2019
Core tier 1 capital - net	519,268	485,260
Tier 1 capital - net	629,653	545,555
Capital - net	798,859	655,695
Total risk weighted assets	5,458,504	4,731,354
Core tier 1 capital adequacy ratio	9.51%	10.26%
Tier 1 capital adequacy ratio	11.54%	11.53%

Capital adequacy ratio	14.64%	13.86%

(1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratios includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2) The Group's Core Tier 1 Capital includes ordinary shares, equity components of the convertible corporate bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general risk reserve, retained earnings, minority interests (to the extent permitted in the Core Tier 1 Capital under the Regulation).

(3) The Group's Deductible Items from Core Tier 1 Capital include other intangible assets (excluding land use rights) after deducting the related deferred tax liabilities.

(4) The Group's other Tier 1 Capital includes preference shares, Perpetual bondand minority interests to the extent permitted by the capital rules.

(5) The Group's Tier 2 Capital includes: Tier 2 capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests to the extent permitted by the capital rules.

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk weighted Assets and Operational Risk-weighted Assets respectively.

IX ASSET PLEDGED

Certain assets of the Group are pledged as collateral for financial liabilities, and the analysis of these assets are as follows:

	31 December 2020	31 December 2019
Financial investments	491,435	473,693
Discounted bills	107,497	90,791
Bank loans	778	414
Total	599,710	564,898

X EVENTS AFTER THE REPORTING DATE

1 Profit distribution plan

The Bank convened the board of directors on 25 March 2021, approved the profit distribution plan for 2020 and submitted it to the annual general meeting for consideration and approval.

XI COMPARATIVE FIGURES

In order to be consistent with the presentation of financial statements for the current year, a number of comparative figures have been reclassified.