

2017 SRCB Annual Report



We Make Banking Convenient for You

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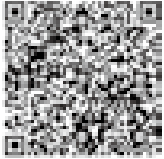
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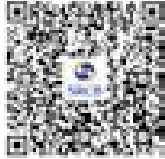


In the list of "Global Top 1000 in 2017", the Bank ranked 187th, up 7 places from 2016. Among the shortlisted domestic commercial banks, the Bank ranked 25th, 2 places higher than 2016.

You could use the following ways to access to this report and performance information exposed by the company.



HS Annual Report Overview



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02 NEW SITUATION

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Important Notice

- The Board of Directors and directors of the Company assure that there are no false representations, misleading statements or material omissions in this Report and bear individual and collective responsibility for the authenticity and accuracy of its contents.
- The text of the 2017 Annual Report of Shanghai Rural Commercial Bank Co., Ltd. has been reviewed and endorsed at the 10th meeting of the 3rd Board of Directors and at the 7th meeting of the 3rd Board of Supervisors.
- The 2017 Annual Financial Report has been audited by Deloitte & Touche CPAs, who issued an audit report.
- This Report is issued in English and Chinese and the Chinese text shall prevail in the event of any discrepancy.

Definitions

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

- | | |
|---|---|
| — The Group/Group | Shanghai Rural Commercial Bank and its invested rural banks |
| — The Company/Parent Company/Company/the Bank/Bank | Shanghai Rural Commercial Bank |
| — CBRC | China Banking Regulatory Commission |
| — Financial Leasing Company/Yangtze Financial Leasing Company | Yangtze United Financial Leasing Co., Ltd. |
| — Reporting Period | 1 January 2017 to 31 December 2017 |

Shanghai Rural Commercial Bank Co., Ltd. Board of Directors
28 March 2018



Company Profile

▶ **Registered Name in Chinese:** 上海农村商业银行股份有限公司

Abbreviated Name in Chinese: 上海农商银行

Registered Name in English: Shanghai Rural Commercial Bank Co., Ltd.

Abbreviated Name in English: SRCB

▶ **Legal Representative:** Ji Guangheng

▶ **Registered Address:** No. 70, Zhongshan Road (East-2), Huangpu District, Shanghai, China

Office Address: No. 70, Zhongshan Road (East-2), Huangpu District, Shanghai, China

Postal Code: 200002

Company Website: <http://www.srcb.com>

Email: webmaster@srcb.com

▶ **Newspaper for Company Information Disclosure:** Shanghai Financial News, etc.

Website for Publication of the Annual Report: <http://www.srcb.com>

Annual report Available at: Office of the Board of Directors

▶ **Other Relevant Information**

Date of Initial Registration: 23 August, 2005

Corporate Business License Number: 913100007793473149

Appointed Auditor: Deloitte & Touche CPAs (special general partnership)

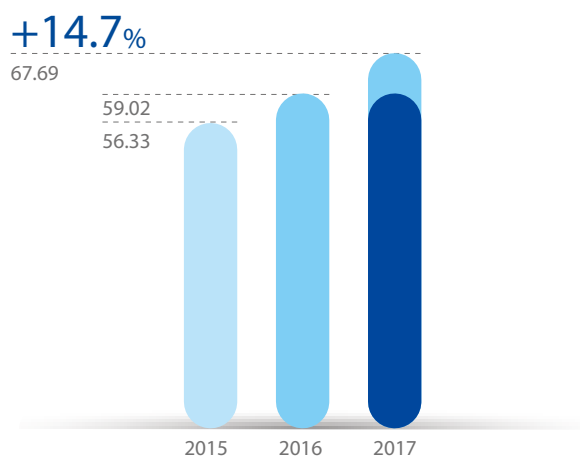
Address of the Auditor: F30, Bund Center, No. 222 East Yan'an Road, Shanghai, China



Business Highlights

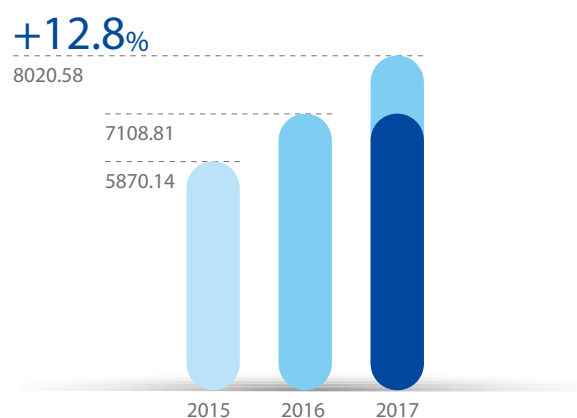
Net profit in the last three years

(Unit: RMB100 million)



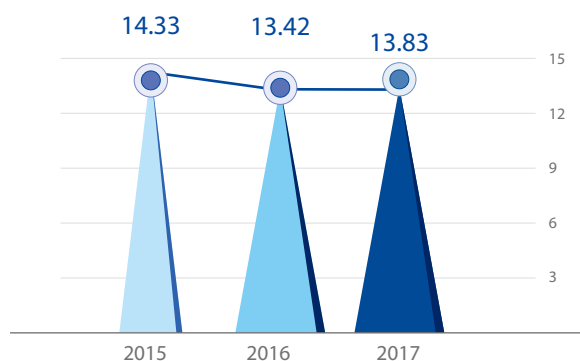
Total assets in the last three years

(Unit: RMB100 million)



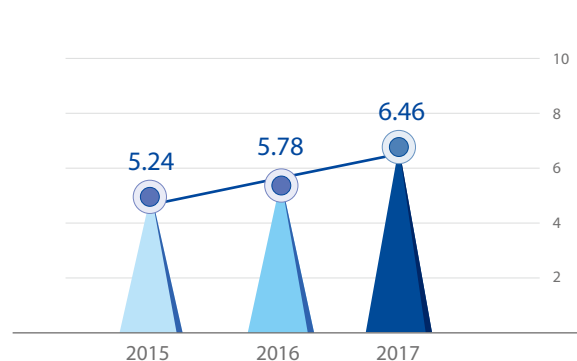
Weighted average ROE in the last three years

(Unit: %)



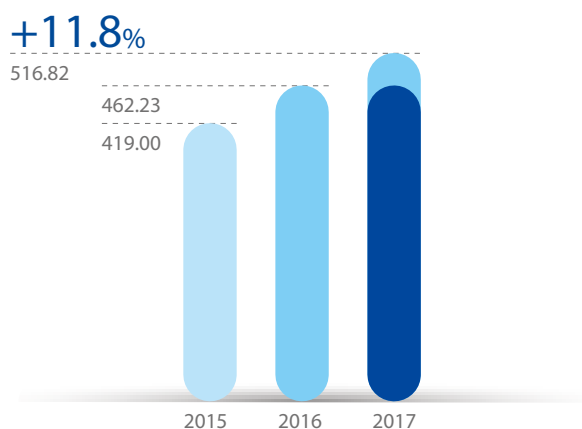
Net asset per share attributable to shareholders of the parent company in the last three years

(Unit: Yuan/Share)



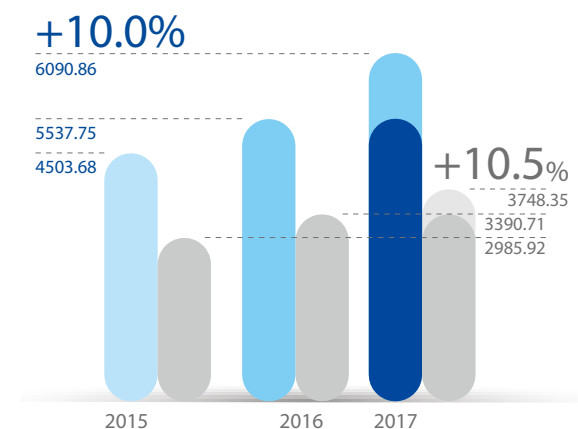
Owners' equity attributable to shareholders of the parent company over the past three years

(Unit: RMB100 million)



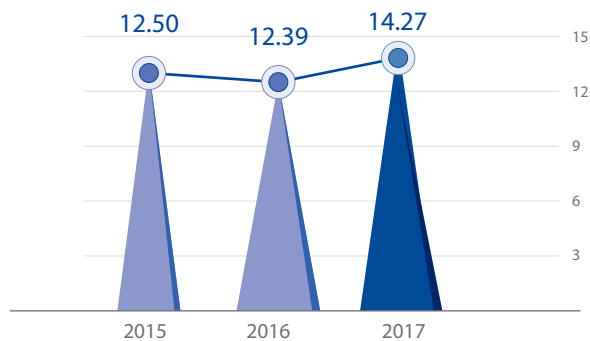
Deposit balance and loan balance in the last three years

(Unit: RMB100 million)



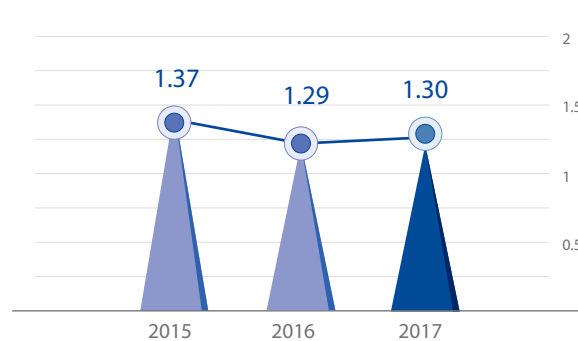
Capital adequacy ratio in the last three years

(Unit: %)



NPL ratio in the last three years

(Unit: %)



2017 Unremitting Effort, Continuous Achievements



◀ New Look, Wholehearted Service



Events in 2017



2017 – JANUARY

2017 Working Meeting & Party Building Working Meeting was held

2017 retail business salesman mobilization meeting was held

2017 – FEBRUARY

Signed comprehensive strategic cooperation agreement with Lingang Group

The delegation led by Wu Hongwei, head of Discipline Inspection Team, Shanghai SASAC Party Committee, Shanghai Discipline Inspection Commission visited SRCB



2017 – MARCH

Successfully issued 2017 phase-I tier-II capital bond

The delegation led by Rob Speyer, CEO of TISHMAN SPEYER visited SRCB

2017 1st Ad-hoc Shareholders' Meeting was held which reviewed and approved general election proposal for the Board of Directors and Board of Supervisors

Party Representative Meeting was held which elected Ji Guangheng and Wang Lifang as representatives of SRCB on the 11th Congress of Shanghai CPC

2017 – APRIL

Conducted special rectification on "three violations" and "three arbitrages"

The delegation led by Dr. Matthew Rosenstein from the Global Education and Training Center, University of Illinois visited SRCB



2017 – MAY

Successfully launched "Love Station" at the Bank

Ji Guangheng (Chairman of the Board of Directors), Sun Jianping (Chairman of the Board of Supervisors) and Shen Xingbao (Vice President) visited Pudong New District Government

Signed strategic cooperation agreement with Qingpu District Government

2016 Annual Shareholders' Meeting was held



2017 – JUNE

Set up "Special Fund for Parent School" with Shanghai Children's Hospital

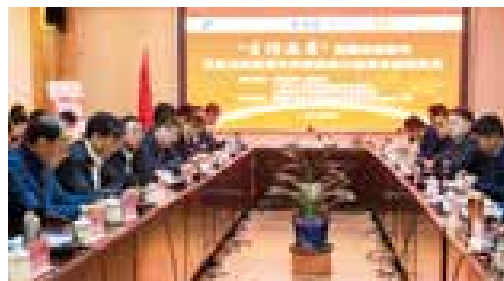
Signed three-party strategic cooperation agreement with Changning District Government and Shanghai Pengxin Co., Ltd.

2017 – JULY

Chairman Ji Guangheng visited Beijing Fangshan District Government and Beijing rural bank

Set up public welfare project of purchasing accident insurance for farmers in 5 counties in Shigatse, Tibet

2017 Mid-year Working Meeting & Party Building Working Meeting was held



2017 – AUGUST

Signed strategic cooperation agreement with Shanghai Branch of Agricultural Development Bank of China

Hiking activity was held to celebrate 12th anniversary of the Bank

The delegation led by Xiao Wengao, Deputy Secretary of Shanghai SASAC Party Committee visited the Bank to investigate the implementation of "two responsibilities"



2017 – SEPTEMBER

Organized donation of schoolbags themed on "Love Together"

Disbursed the 1st new brand pledge loan for agricultural operation entities



2017 – OCTOBER

Party organizations at different levels of the Bank carefully listened to CPC General Secretary Xi Jinping's report on 19th CPC National Congress

Launched 1st FI investment business at Banking Industry Credit Asset Registration and Transfer Center

Organized Double-ninth Festival Activity of "care for the elderly" with Shanghai Kindness & Wisdom Public Foundation

2017 – NOVEMBER

Organized the 6th Employee Cultural and Art Festival Closing Ceremony & the 4th Staff Talent Show Final

President Xu Li participated G60 Scientific and Technological Innovation Corridor Industrial and Financial Integration Conference, and signed letter of strategic cooperation intention with district government

The delegation led by President Xu Li visited Shanghai Yangpu Scientific and Technological Start-up Center Co., Ltd



2017 – DECEMBER

China Cosco Shipping Corporation Ltd. and BaoSteel Co., Ltd became SRCB's strategic shareholder

Successfully underwrote the 1st rental housing targeted instrument in China

Chairman Ji Guangheng visited Yunnan CBRC

Received visits by Gansu provincial leaders



Party Secretary and Chairman: Ji Guangheng

Message from the Chairman

In 2017, faced with the severe market environment new regulations, SRCB seriously studied and followed the spirit of the 19th National Congress of the Communist Party of China, deeply understood the spirit of Central Economic Working Conference and National Financial Working Conference, and insisted on returning to the original mission of serving real economy. As a result, all operation and management work have been promoted with stable growth, faster business transformation and higher market share.

As of 2017 end, Group's total asset amounted to RMB 802.1 billion, a year-on-year growth of RMB 91.2 billion (+12.8%); deposit, RMB 609.1 billion, up by RMB 55.3 billion (+10%); total loan, RMB 374.8 billion, up by RMB 35.7 billion (+10.5%); net profit attributable to shareholders of the parent company, RMB 6769 million, up by 14.7%; ROA, 0.89%; ROE attributable to shareholders of the parent company, 13.83%, 0.41 percentage point higher than last year-end; cost-to-income ratio, 33.8%, down by 3.86 percentage point; CAR, 14.27%, 1.88 percentage point higher than last year-end; NPL balance, RMB 4868 million; NPL%; loan provision coverage rate, 253.5%; provision-to-loan ratio, 3.29%.



Total assets of the Group
802.1 billion
 up by **12.8%**



Deposit balance
609.1 billion
 up by **10.0%**



Total loans
374.8 billion
 up by **10.5%**



Net profit
6.769 billion
 up by **14.7%**

In 2017, the Board of Directors, considering the Bank's reality, guided the Senior Management to further deepen operation transformation, strengthen risk management and made smooth progress in the Bank's strategic works. First, improved corporate governance structure and completed the general election of the BOD; revised Articles of Association and included Party-building requirements into corporate governance; promoted the revision and improvement of rules and regulations to lay a solid foundation for corporate governance. Second, promoted the implementation of the new three-year strategic plan, carried out initial evaluation of the strategy, and actively prepared for IPO. Third, continued to improve capital strength by successfully issuing phase-I and phase-II tier-II capital bonds in 2017, increasing capital and shares to effectively strengthen capital strength and risk resistance; completed the conversion from capital reserve to increase equity shares, which laid the foundation for the Company's valuation and long-term development. Fourth, smoothly completed the equity transfer of large shareholders including ANZ Banking Group and Greenland Group etc. which helped to ensure a stable equity structure before IPO. Fifth, guided the Bank to improve refined management by focusing on changing the previous extensive management model and trying to be a commercial bank with modern management level. Sixth, stick to steady development and strengthened comprehensive risk system; actively developed bank-wide compliance system based on the needs of business development and strengthened the staffing for compliance and internal control at the headquarter and branch level; adjusted the structure of Asset Monitoring Department to optimize post-loan management; improved the Group's consolidated statement management and strengthened effective management and control of rural banks and Yangtze United Financial Leasing Co., Ltd.; executed regulatory requirements by conducting special checks in the Bank, and continuously corrected operation and management with strict rectification and serious accountability.

In 2017, the Bank focused more on building corporate culture, and actively fulfilled social responsibilities. As a main supporter

for Shanghai's urban agriculture, SRCB has actively embraced "agriculture, rural area and farmer" market and served local urban agriculture. SRCB signed strategic cooperation agreement with Shanghai Municipal Agricultural Committee, setting aside a special line of credit of RMB 30 billion. SRCB established the Agricultural Finance Service Committee and Consumer Rights and Interests Protection Committee under the BOD; established Inclusive Finance Department (second-level department) to integrate the Bank's resources and promote inclusive finance; initiated "Jixiang Ankang", a charity accident insurance program for five Counties in Shigatse, Tibet. The program donated RMB 2 million to buy accident insurance for 230,000 farmers in Shigatse with an insured amount at RMB 8.6 billion.

Looking back into 2017, I'd like to extend my thanks to regulatory authorities, shareholders, customers and others who care about SRCB's development, and my compliment to the Company's Senior Management and all staff for your effort and contribution.

2018 is a crucial year for SRCB to substantially start the IPO process and realize the three-year strategic targets. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will lead the management to put compliance first, focus on profitability, deepen transformation, strengthen collaboration, cultivate specialties, increase coverage, improve product services and the efficiency of operation and management, fully boost our core competitiveness, and realize the mid-term target of becoming a listed public company.

Chairman :



Deputy Party Secretary, Vice Chairman and President: Xu Li



RMB **1** million
Net profit per capita for the first time



RMB **581.3** billion
Total deposit balance up by **11.1%**



RMB **64.751** billion
Agriculture-related loan balance



34.7%
Proportion of non-interest income

Message from the President

With the New Year's bell ringing along the Huangpu River, we have gone through together another extraordinary year for the banking industry. 2017 is a year for deepening the structural reform in the supply side, a crucial year for the transformation and upgrading of Shanghai's real economy, and also the opening year of SRCB's new three-year strategic plan. We stuck to operation transformation, rose to difficulties and challenges, promoted operation and management, and submitted a well-applauded transcript to staff, shareholders and the society with a net profit of RMB 6586 million, a year-on-year growth of 12.6%, and per capita net profit exceeding RMB 1 million for the first time, which has further solidified the foundation for IPO, and SRCB's leading position in the industry.

Make progress in business transformation and refined management.

Faced with constantly changing internal and external environment with cyclic fluctuation of the real economy, narrowing interest margin, financial dis-intermediation, peer competition, and diversified consumer needs, banks can hardly sustain their outward expansion by competing in size and scale. Thus we have taken the initiative to adapt to the changing situation by strengthening traditional businesses, expanding new business, and adjusting income structure; we boosted operational efficiency, improved budget management, and rationalized asset-liability structure; we allocated resources scientifically, reduced cost-to-income ratio, and strengthened the life cycle management of projects; we deepened management reform and technological innovation, kept the balance between scale and benefit as well as speed and quality, fully improved the capability of refined management and achieved a steadier endogenous development. By the end of 2017, SRCB's total assets reached RMB 776.4 billion, up by 13.6%; total deposits were RMB 581.3 billion, up by 11.1%; RMB deposits ranked 5th on Shanghai's market, and ranked 1st in terms of incremental market share; non-interest income accounted for 34.7% in total net income, while the fee income was 21%.

Support the real economy and return to the origin of finance.

The real economy is the foundation of finance, while finance provides the blood to the real economy. Now, more and more people have started to think about what finance should be from the very beginning. In the new economic normal, we have increased credit support to the real economy, improved facilitation and efficiency of our services, and fulfilled the responsibilities of a bank. SRCB has deeply cultivated inclusive finance and strongly supported the projects of agricultural infrastructure, urban agriculture, village-in-city transformation, and urban-rural integration; we have fully engaged in the financial support programs for the development of beautiful countryside, special towns, and Chongming Ecological Island; we have introduced pledged loan for agricultural brands, and explored the "credit fund + social capital" model to promote combined debt-equity investment. By the end of 2017, the balance of agriculture-related loans reached RMB 64.751 billion. SRCB has actively involved in the development of Shanghai Scientific and Technological Innovation Center, proactively explored the "loan + stock option" model to meet market demands by promoting products such as revolving loan for technical SMEs, performance guarantee loans, start-up loans, micro loans and etc., we established Yangpu Scientific and Technological Innovation Sub-branch and built "2+N" scientific financial service system; we continuously promoted the financing program of "RMB 10 billion loan to 1000 professional, advanced, unique and innovative SMEs", and won the honor of "Excellent Cooperation Bank" by Shanghai Science and Technology Committee. The balance of science and technology loans reached RMB 20.806 billion, accounting for 10% of Shanghai's total loan balance. We issued loans to 4276 SMEs which have credit limit below RMB 5 million, totaling RMB 11.678 billion; SRCB has met the regulatory requirements that "the growth of SME loans should not be below the average growth

of other loans, number of SME loan accounts and SME loan approval rate should not be below the level of same period last year", and met the first phase goal of targeted cut of reserve requirement ratio for inclusive finance.

Improve compliance, internal control, and strengthen risk management.

While 2017 is a year for the rectification of financial order, SRCB has implemented every effort to improve compliance and quality management. We continuously enhanced mechanisms for compliance and internal control management, improved fraud prevention accountability system, strengthened staff conduct management, increased check and supervision frequency, built the defense of compliance, and struck deeply into everyone's mind the idea of "zero tolerance of 'values' created with incompliant means"; we established differentiated credit approval system, improved risk management of non-credit assets, strictly filtered potential high-risk loans, took multiple measures to recover NPL, and kept overall stable asset quality. By the end of 2017, NPL balance was RMB 3911 million, 1.08% of total loans, down by 0.05 percentage point on the year-on-year basis; CAR was 14.21%, loan provision coverage rate was 283.58% and provision-to-loan ratio was 3.06%.

Embrace financial technology and optimize customer experience.

Payment is the core of banking operation, and mobile Internet has rebuilt payment model and customer demand. We have closely followed cutting-edge trends such as mobile Internet, big data, cloud service, robo-advisor, and have gradually built up the Fintech productivity with high stability, fast response and continuous innovation; following the steps of mobile payment, we have promoted the development of key projects including mobile banking, online financing, financial social security card and etc. We became the first rural commercial bank in China to introduce debit card payment via scanning QR code, and Unionpay EPOS payment business; we have installed intelligent teller machines at 103 outlets to transform operators into marketers, given more significance to asset-light business development and made customer experience more automatic and personalized.

Only those who stand up to challenges will make progress. Facing fierce competition and strict regulatory policies, we have worked together in making progress while maintaining stability, and we have made commendable achievements as a return to shareholders' trust and staffs' expectation. In 2017, SRCB ranked 18th on the UK The Banker's list of "Top 1000 World Banks 2017", 7 positions higher than that of 2016. SRCB ranked 25th among the Chinese commercial banks on the list, 2 positions higher than that of 2016. In 2018, Standard & Poor's Ratings Services raised SRCB's long-term credit rating to BBB with a "stable" outlook while the short-term credit rating was upgraded from "A-3" to "A-2".

As time goes by, we will continue to march towards our dreams and make unremitting efforts to pursue our aspiration. With IPO around the corner and standing at a new starting point, we are clearly aware of the challenging road forward and will realize our dreams with down-to-earth efforts. Under the leadership of the spirit of the 19th National Congress of the Communist Party of China, we will stay true to our founding mission, stick to the strategy, take diligent efforts to progress, and make significant achievements in the development of SRCB.

President:





Chairman of the Supervisory Board
Sun Jianping



Deputy Party Secretary, Director
Shen Xunfang



Vice President
Shen Xingbao



Vice President
Li Jin



Vice President
Jin Jianhua



Vice President
Wang Jianping



Secretary of Discipline Inspection Commission,
Vice Chairman of the Supervisory Board
Ma Yongjian

FURTHER SOLIDIFIED
THE FOUNDATION FOR
IPO

STABLY MAINTAINED
THE LEADING POSITION
IN RURAL COMMERCIAL
BANKS

ORDERLY PROMOTED
FIVE CORE STRATEGIES



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Summary of Accounting Data and Financial Indexes

Key Financial Data during the Report Period

Major Accounting Data and Financial Indices over the Previous Three Years by the End of the Reporting Period

Provision for Impairment of Assets over the Previous Three Years by the End of the Reporting Period

Supplementary Financial Data over the Three Previous Years by the End of the Reporting Period

Supplemental Statement for Income over the Previous Three Years by the End of the Reporting Period

Supplementary Financial Indices over the Previous Three Years by the End of the Reporting Period

Capital Structure and Its Changes by the End of the Reporting Period

Leverage Ratio Structure and Change by the End of the Reporting Period

Changes in Shareholder Equity during the Reporting Period



I. Key Financial Data during the Reporting Period

Unit: RMB 1000 Yuan

Items	The Group	The Bank
Total profit	8,380,598	8,055,386
Net profit attributable to shareholders of the parent company	6,769,082	6,585,534
Net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses	6,440,644	6,336,009
Operating profit	8,154,492	7,815,184
Investment income	2,146,848	2,135,842
Net non-operating income and expenses	226,106	240,202
Net cash flow from operating activities	-2,323,390	2,394,221
Net increase in cash and cash equivalents	-2,524,135	1,489,337

II. Major Accounting Data and Financial Indicators over the Previous Three Years by the End of the Reporting Period

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	2017	2016	2015	2017	2016	2015
Operating revenue	17,920,775	15,638,259	15,284,657	16,711,208	14,684,633	14,326,623
Net profit attributable to shareholders of the parent company	6,769,082	5,902,491	5,633,520	6,585,534	5,849,763	5,466,082
Total assets	802,057,599	710,880,558	587,013,544	776,447,294	683,257,152	565,112,647
Deposit balance	609,085,737	553,774,691	450,368,329	581,303,076	523,351,122	425,875,155
Loan balance	374,834,822	339,071,488	298,591,767	361,985,744	323,276,817	284,174,783
Owner's equity attributable to shareholders of the parent company	51,682,125	46,222,920	41,899,976	51,092,333	45,813,317	41,547,639
Basic earnings per share attributable to shareholders of the parent company (Yuan)	0.85	0.74	0.70	0.82	0.73	0.68
Basic earnings per share attributable to shareholders of the parent company after deducting non-recurring profits and losses (Yuan)	0.81	0.72	0.69	0.79	0.72	0.69
Net assets per share attributable to shareholders of the parent company (Yuan)	6.46	5.78	5.24	6.39	5.73	5.19
Net cash flow from the operating activities per share (Yuan)	-0.25	6.75	7.28	0.34	6.12	7.16
Cost-to-Income ratio (%)	33.80	37.66	35.68	33.72	37.26	35.31
Weighted-average ROE (%)	13.83	13.42	14.33	13.59	13.42	14.00
Weighted average ROE after deducting non-recurring profits and losses (%)	13.16	13.04	14.08	13.08	13.13	14.15

III. Provision for Impairment of Assets over the Previous Three Years by the End of the Reporting Period

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	2017	2016	2015	2017	2016	2015
Opening balance	11,344,177	9,928,549	9,091,798	10,371,884	9,168,881	8,621,824
Accrued from profits or losses during the year's reporting period	3,533,312	2,164,460	1,783,262	3,090,113	1,802,064	1,487,943
Other transfer-in during the reporting period	320	3,319	50,737	268,450	3,319	50,737
Recovery during the reporting period	139,946	149,240	61,671	138,821	149,240	61,671
Transfer-out during the reporting period	-734,360	-164,636	-546,241	-700,205	-156,226	-546,241
Writing-off during the reporting period	-691,491	-736,755	-512,678	-506,452	-595,394	-507,053
Reverse in the year	0	0	0		0	0
Closing balance	13,591,904	11,344,177	9,928,549	12,662,611	10,371,884	9,168,881
Balance of provision for loan losses	12,345,320	9,670,686	8,290,295	11,096,639	8,698,393	7,530,627
Accrual during the reporting period	3,382,968	2,090,324	1,776,265	2,627,578	1,727,928	1,480,946
Transfer-in during the reporting period	140,266	152,559	112,408	407,271	152,559	112,408
Write-off or transfer-out during the reporting period	-848,600	-862,492	-632,424	-636,603	-712,721	-626,799

IV. Supplementary Financial Data over the Previous Three Years by the End of the Reporting Period

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	2017	2016	2015	2017	2016	2015
Total liabilities	749,040,695	663,186,893	543,687,067	725,354,961	637,443,835	523,565,008
Deposit balance	609,085,737	553,774,691	450,368,329	581,303,076	523,351,122	425,875,155
Total interbank borrowing	29,415,649	7,542,118	1,382,696	29,415,649	7,542,118	1,382,696
Loan balance	374,834,822	339,071,488	298,591,767	361,985,744	323,276,817	284,174,783
Wherein: Corporate loans	222,713,820	191,864,433	175,180,581	216,105,656	183,163,344	167,191,107
Discount	53,607,528	61,106,347	74,663,488	53,607,528	61,103,106	74,655,788
Personal loans	98,513,474	86,100,708	48,747,698	92,272,560	79,010,367	42,327,889

V. Supplementary Income Statement over the Previous Three Years by the End of the Reporting Period

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	2017	2016	2015	2017	2016	2015
Operating profit	8,154,492	7,164,935	7,095,552	7,815,184	7,012,221	6,865,398
Net profit attributable to shareholders of the parent company	6,769,082	5,902,491	5,633,520	6,585,534	5,849,763	5,466,082
Net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses	6,440,644	5,733,795	5,535,869	6,336,009	5,724,762	5,527,141

VI. Supplementary Financial Indicators over the Previous Three Years by the End of the Reporting Period

Unit: RMB 1000 Yuan

Items	Standard	The Group			The Bank		
		2017	2016	2015	2017	2016	2015
Capital adequacy ratio	≥10.5%	14.27%	12.39%	12.50%	14.21%	12.11%	12.17%
Tier 1 capital adequacy ratio	≥8.5%	10.97%	10.56%	11.36%	10.87%	10.25%	11.09%
Core capital adequacy ratio	≥7.5%	10.96%	10.56%	11.36%	10.87%	10.25%	11.09%
Liquidity ratio (RMB)	≥25%	38.63%	40.58%	38.43%	39.07%	41.19%	38.44%
Liquidity ratio (Foreign currency)		3.25%	46.64%	32.60%	3.25%	46.64%	32.60%
NPL%	≤5%	1.30%	1.29%	1.37%	1.08%	1.13%	1.30%
Loan provision ratio		3.29%	2.85%	2.78%	3.06%	2.69%	2.65%
Provision coverage ratio		253.50%	221.27%	202.42%	283.58%	237.58%	204.24%
Proportion of loans to the largest customer	≤10%	4.33%	4.41%	4.80%	4.48%	4.67%	5.17%
Proportion of loans to the top ten customers		23.33%	25.59%	26.39%	24.16%	27.12%	28.43%

VII. Capital Structure and Its Changes by the End of the Reporting Period

Unit: RMB 1000 Yuan

Items	The Bank		
	Dec.31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net capital	65,288,160	51,990,074	43,596,003
Core tier-I net capital	49,936,963	43,991,033	39,752,441
Tier-I net capital	49,936,963	43,991,033	39,752,441
Total risk-weighted assets	459,459,162	429,282,034	358,339,717
Core tier-I capital adequacy ratio	10.87%	10.25%	11.09%
Tier-I capital adequacy ratio	10.87%	10.25%	11.09%
Capital adequacy ratio	14.21%	12.11%	12.17%

VIII. Leverage Ratio Structure and Change by the End of the Reporting Period

Unit: RMB 1000 Yuan

Item	Standard value	The Group			The Bank		
		2017	2016	2015	2017	2016	2015
Net tier-I capital		51,957,572	46,938,833	42,655,234	49,936,963	43,991,033	39,752,441
Adjusted Asset balance on/off balance sheet		834,076,923	744,096,690	640,851,695	807,614,780	715,395,773	617,822,007
Leverage ratio	≥4%	6.23%	6.31%	6.66%	6.18%	6.15%	6.43%

IX. Changes in Shareholders' Equity during the Reporting Period

Unit: RMB 1000 Yuan

Items	The Bank						
	Paid-up capital	Capital reserve	Other comprehensive income	Surplus reserve	General provision	Undistributed profits	Total shareholders' equity
Opening Balance	5,000,000	8,111,058	193,040	10,623,321	6,356,583	15,529,315	45,813,317
Closing Balance	8,000,000	5,111,058	36,522	12,539,563	7,988,262	17,416,928	51,092,333

1/2

Management Discussion and Analysis

Overall Operation during the Reporting Period

Company Operation

Summary of Banking Data

Analysis of Financial Status and Operating Results

Serious Asset Loss Caused by Joint Liability Taken by SRCB as Guarantee to Any Other Parties

Serious Asset Loss Caused by Operational Risk Case

Change in Operating Environment and Macro Policies and Regulations and Their Influence

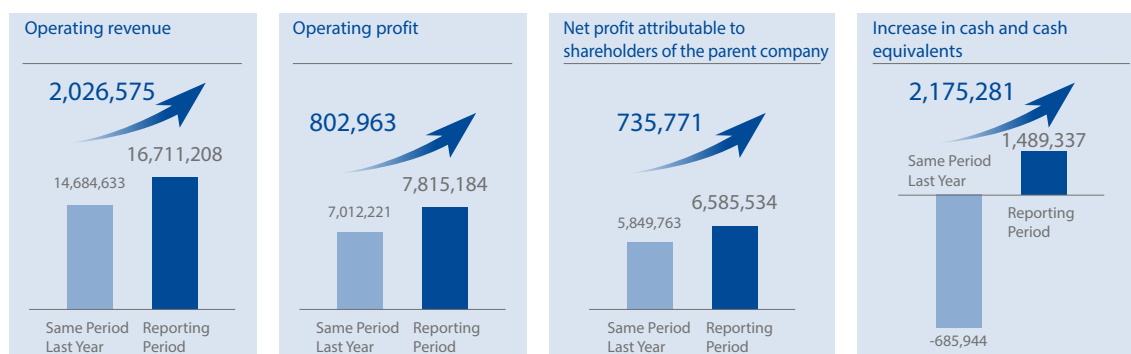
Business Development Plan for the New Year



I. Overall Operation during the Reporting Period

(I) Main Operating Revenue, Main Operating Profit, Net Profit, and Increase in Cash and Cash Equivalents

Unit: RMB 1000 Yuan



(II) Comparison of Total Assets and Shareholders' Equity at the Beginning and End of the Reporting Period

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	Reporting period	Same period last year	Increase/decrease	Reporting period	Same period last year	Increase/decrease
Total Assets	802,057,599	710,880,558	91,177,041	776,447,294	683,257,152	93,190,142
Owner's equity attributable to shareholders of the parent company	51,682,125	46,222,920	5,459,205	51,092,333	45,813,317	5,279,016

II. Company Operations

(I) Company's Business Scope

Accepting public deposits; booking short-term, medium-term and long-term loans; handling domestic and overseas settlements; accepting and discounting bills; acting as an agent to issue, redeem and underwrite government bonds; trading government bonds and financial bonds; handling interbank lending/borrowing; providing bank card services; handling foreign currency deposit, loans and remittance, international settlement, interbank lending/borrowing in foreign currency, credit investigation; consulting and guaranteeing proof of funds; acting as an agent to make collections and payments, providing safety deposit box services, and other services approved by CBRC including foreign exchange service.

(II) Company Operations Review

1. Completion Status of Primary Business Indicators

In 2017, faced with the severe market environment and new regulations, SRCB seriously studied and followed the spirit of the 19th National Congress of the Communist Party of China, deeply understood the spirit of Central Economic Working Conference and National Financial Working Conference, and insisted on returning to the original mission

Net profit of the Group up by
12.6%

658.6 billion Yuan

Deposit balance of the Group
up by 11.1%

581.3 billion Yuan

Loan balance up by 12.0%

362 billion Yuan

of serving real economy. As a result, all operation and management work have been promoted with stable growth, faster business transformation and higher market share.

Continuously improving profitability structure. Net profit reached RMB 6586 million with a year-on-year increase by 12.6%. Net operating income reached RMB 16.711 billion, a year-on-year increase by 13.8%. Net non-interest income reached RMB 5796 million with a year-on-year increase by 10.2%. Fee income reached RMB 3501 million, up by 35.1%, achieving 107.4% of the target plan. Fee income accounted for 20.95%, up by 3.3 percentage points over the previous year. ROA was 0.9%, down by 0.04 percentage point compared with last year end. ROE was 13.59%, up by 0.17 percentage point compared with last year end.

Stable growth of business scale. The Bank's total asset reached RMB 776.4 billion, up by RMB 93.1 billion than year-beginning (+13.6%). Total deposit balance in RMB and foreign currencies was RMB 581.3 billion (including principal-guaranteed wealth management fund following CBRC definition), an increase of RMB 58 billion over the beginning of the year, up by 11.1%. RMB personal deposit balance (excluding principal-guaranteed wealth management fund) was RMB 245.3 billion, an increase of RMB 21.3 billion than year-beginning, achieving 101.5% of annual plan. RMB corporate deposit balance (excluding principal-guaranteed wealth management fund) was RMB 314.7 billion, an increase of RMB 36.6 billion than year-beginning, achieving 87.4% of annual plan. The year-end deposit deviation was 0.18%. Total loan balance in RMB and foreign currencies was RMB 362 billion (CBRC definition), an increase of RMB 38.7 billion than year-beginning, up by 12%, including RMB 330.9 billion of proprietary loan balance which increased by RMB 47.5 billion or 16.7% than year-beginning.

Overall stable asset quality. The balance of non-performing loans was RMB 3911 million, with an increase of RMB 250 million than the year beginning. NPL% was 1.08%, with a decrease of 0.05 percentage points than the year beginning. Excluding the negative impact from rural banks, the two indicators realized "double decrease" in which NPL balance was RMB 3588 million, down by RMB 73 million than year-beginning; NPL% was 0.99%, down by 0.14 percentage point than year-beginning. CAR was 14.21%; loan provision coverage rate, 284%; provision-to-loan ratio, 3.06%, all higher than regulatory warning targets.

2. Operation of All Lines of Business

Corporate Banking Business

—In terms of corporate banking business, the Company has optimized credit structure and strengthened innovation in financial service to support the development of real economy. Boosted credit support to SMEs by introducing products such as "SME revolving loan" to save financing cost for small and medium-sized customers, which won the award of "2017 Outstanding Partner for SME Financing Service". Focused on cultivating the Bank's strategic customer segments by building "headquarters-headquarters" relationship with the Group's strategic customers. Deepened bank-government cooperation by supporting the development of infrastructure, new countryside, affordable housing, industrial clusters backed by government policies and livelihood projects. Enhanced innovation in financial products and jointly underwrote the first "private debt financing instrument for rental housing" which had relatively good social demonstration effect. Promoted scientific and technological financial services, prepared in building Yangpu Scientific and Technological Innovation Sub-branch and "2+N" exclusive branches serving scientific and technological innovation.

— In terms of agriculture-related financial services, SRCB set up the Agricultural Financial Service Working Committee to guide the Management to steadily promote the Bank's agriculture-related work. At the end of reporting period, by broad definition, the Company's balance of agriculture-related loan was RMB 64.751 billion, up by RMB 7059 million than year-beginning. Actively built differentiated competitive edge, took



the opportunity of developing modern urban agriculture in Shanghai and deepened characteristic agriculture-related businesses. Served the building of Shanghai's modern agricultural demonstration area by cooperating with Shanghai Municipal Agricultural Committee with over RMB 7 billion loan disbursed in 2017. Deepened agriculture-related financial service by introducing pledge business for agriculture-related brands, innovating financial services to benefit agriculture, and exploring the establishment of Shanghai Development Guidance Fund for Modern Agricultural Industry. Explored financial services to rural complex supported by credit fund + social capital considering the requirements of developing beautiful countryside.

— **In terms of trade finance**, the Company has been performance-oriented in expanding trade channels, deepening agency cooperation, strengthening business management and improving team quality. Within the reporting period, trade finance business EVA in RMB and foreign currencies reached RMB 229 million; net operating income from trade finance business in RMB and foreign currencies reached RMB 324 million, including RMB 92 million of interest income from foreign currency business and trade finance fee income of RMB 218 million (RMB 109 million of fee income and exchange gain respectively). Fully played the advantage of centralized management of foreign exchange business, effective integration of resources, complete product licenses, and FTA platform, provided services to financial institutions and made breakthroughs in agency businesses with 6 banks for the issuance of letter of guarantee and letter of credit and 10 banks for entrusted payment (2 more respectively). Over 30 banks started business cooperation with SRCB from which the Bank gained an increase of USD 6 billion in line of credit.

Retail Banking Business

— **In terms of retail banking**, the Company has deepened the transformation of retail business to increase the contribution from retail finance and realize the target of "structural adjustment to increase scale and return". As of end of the reporting period, the Bank's personal loan balance was RMB 87.7 billion, up by RMB 11.839 billion than year-beginning; number of personal customers was 12,469,300, up by 821,600 than year-beginning or by 7.05%; newly issued 505,200 Labor Union Member Card, which reached 3,588,500 accumulatively; the number of newly-signed fast payment customers was 394,200, which was 751,000 accumulatively, up by 110.46% than last year-end. SRCB was the first in the rural credit system to introduce QR code payment business, which had significantly improved payment efficiency and convenience. Diversified product lines by introducing innovative products such as Xinyi deposit, and Jicunjin etc. Deepened the development of community bank by improving hardware facilities to improve customer experience.

— **In terms of credit card business**, the Company newly issued 53,900 credit cards, and accumulatively 1,009,600 credit cards have been issued; income reached RMB 647 million, a year-on-year increase of 86%; credit card fee income reached RMB 622 million, a year-on-year increase of 104%; annual transaction volume reached RMB 12 billion; strengthened product innovation to focus on daily consumption occasions and closely follow customer demand by introducing car plate installment and education installment business. Strengthened customer segmentation and successfully issued "Titanium Xin Card", a high-end credit card product to provide various quality value-added services to high net worth customers. Cooperated with famous merchants in marketing activities of various themes to improve brand influence. Developed WeChat mini program "Kaixin SRCB", launched EMV chip MasterCard to provide card-holders with secure and efficient financial services.

Financial Markets Business

— **In terms of financial market business**, the Company has proactively adapted to the new normal, adapted to policy guidance, adjusted business structure, explored drivers for business growth, and built the firewall of risk management to guarantee compliant and



stable financial markets business development. In 2017, the Company's scale of financial market business was nearly RMB 330 billion, a virtuous improvement in both quality and performance while controlling scale growth. In 2017, the Company ranked 20th in terms of currency and bond market transaction, 10 ranks higher than same period last year. Completed the restructuring of Financial Market Department to integrate offline with online business. Enhanced fund operation efficiency. Asset was shifted more to low-tax, light-capital, and high-liquidity bond business; optimized liability structure and stabilized source of liability; improved market sensitivity, formulated diverse transaction strategies, strengthened cross-sale marketing, completed FI asset transfer and investment in Banking Industry Credit Asset Registration and Transfer Center; put internal control first, established compliance culture and risk mindset, continuously improved the perceptiveness and proactivity of risk management and control.

— **In terms of asset management**, the Company has continuously pushed forward structural optimization and transformation, and enhanced profitability. As end of the reporting period, the scale of corporate wealth management products reached RMB 88.3 billion; fee income increased by 77% year-on-year; customer structure was optimized with the product scale of personal wealth management business hit a record high with an increase of RMB 16.9 billion or 39% compared with year-beginning, of which the product scale of high net worth customers was RMB 11 billion higher than year-beginning, up by 70%; the scale of corporate wealth management products increased by 1.74% compared with year-beginning; the daily average volume of open-end wealth management products increased by 28% compared with last year. Carefully followed regulatory policies, actively adjusted asset structure, increased active investment management while reduced the proportion of outsourced investment, increased credit bond investment, and developed the interbank and exchange markets at the same time, paid attention to opportunities on the equity market, participated indirectly in the market via multi-strategy account, and improved overall return on wealth management assets while controlling risks and maintaining the liquidity of assets.

Channel and Service

— **In terms of Internet finance**, the Company has promoted the development of online products and services and expanded customer volume and transaction substitution rate with the support from Internet finance business. As of end of the reporting period, registered users of corporate e-banking, personal e-banking, corporate mobile banking, personal mobile banking, and WeChat banking increased by 12.32%, 21.4%, 24.92%, 31.03%, and 46.28% than last year respectively; the number of ATM and other automatic machines reached 2282; business volume of Internet customer service increased by 16.46% than last year. Continuously promoted the development of mobile finance business by optimizing mobile banking and WeChat banking services; pushed forward the innovative development of Internet finance by deepening external cooperation with direct banks, exploring application scenarios and building online consumer loan platform; enhanced the transformation and development of customer service center by piloting joint marketing and shifting to operation-oriented customer service center.

— **In terms of branch network**, the Company adjusted 15 outlets, removed/consolidated 11 outlets. By the end of the reporting period, the Company had 385 outlets in total, including 377 local outlets, among which, 31 were within the Inner Ring Road, 49 between the Inner Ring Road and the Middle Ring Road, 55 between the Middle Ring Road and the Outer Ring Road, 242 beyond the Outer Ring Road, and 8 non-local outlets.

— **In terms of IT support**, the Company has strengthened scientific and technological innovation, launched intelligent teller machines to relieve the pressure on counter business; introduced online financing project "XinE Loan" as a strong support to retail loans; integrated mobile application platform and mobile Internet platform, which enabled the uniform login, management and resource sharing on both mobile



equipments and applications; launched new collaborative office system and new HR resource management system, and established the bank-wide uniform authentication and office platform; optimized core account system to ensure stable operation at peak time and the batch processing capacity was improved by nearly 4 times; promoted the integration of data center to realize uniform management of data center infrastructures; actively explored ways to optimize technological architecture, continuously pushed forward the virtualization transformation of data center and resource integration, improved comprehensive utilization rate of IT resources to save IT operation cost.

— **In terms of the protection of financial consumers' rights and interests**, the Company has strengthened the mechanism of consumer rights protection by setting up Consumer Rights Protection Commission under the Board, and Consumer Rights Protection Working Commission under the management of Head Office to arrange the Bank's work in consumer rights protection, establishing Consumer Rights Protection Department to manage bank-wide consumer Rights protection and consumer complaints (letter visit) work, lifting the work of consumer rights protection to the level of corporate governance and strategic target. The Company improved relevant rules on consumer rights protection by formulating SRCB Interim Measures on the Assessment and Evaluation of Consumer Rights Protection, Rules of SRCB Product Service Approval Committee (trial) etc. to strengthen evaluation on consumer rights protection. Focused on the handling of consumer's first complaint and first visit, promoted public education and training by organizing 5820 education activities for financial consumers with accumulatively 21105 person-times participation, serving over 430,000 financial consumers.

Risk Management

— **In terms of risk management**, first, the Company has further improved risk management system by optimizing risk organizational structure, enhancing risk forecast to improve the Bank's risk management capability in an all-around way. First, strengthened macro analysis and study of key industries, clarified the priority areas by industry, region, customer and business to improve credit disbursement quality and credit structure; second, improved differentiated centralized credit approval by evaluating the credit qualification level of tier-I sub-branches and promoting centralized approval and review for urban branches; third, improved non-credit asset risk management system and loss evaluation, risk categorization standards etc.; fourth, continuously improved risk measurement and application level by optimizing RWA system and internal rating system; fifth, improved liquidity risk management system by regularly conducting liquidity risk stress test and contingency drill; sixth, deepened the application of three operation risk tools in enhancing lost data collection and analysis, revising key operation risk indicators, and strengthening management of IT risk and business continuity.

— **In terms of compliance and internal control**, the Company has attached great importance to fraud prevention, strengthened staff behavior management, implemented fraud prevention and control accountability and improved evaluation and assessment mechanism. Fully implemented internal control management mechanism, strengthened the development of rules and regulations by revising SRCB Internal Control Assessment Measures, SRCB Implementation Rules of Internal Control Evaluation in Operation and Management, Compliance Policies, and SRCB Measures on Reporting Block Trade and Suspicious Trade etc.; regularly organized compliance promotion and training as well as compliance exams; improved anti-money laundering and anti-terrorism financing monitoring model and strengthened customer identification.

Group Investment Management

— **In terms of rural banks, the 35 rural banks established by the Company has realized relatively fast development with balance of all deposits reached RMB 27.811 billion;** loan balance, RMB 12.849 billion; CAR, 19.32%. Faced with complex situations, the Bank has promoted the sound and sustainable development of rural banks by following the

three main measures of "strictly control NPL, strengthen risk management and cultivate execution culture". First, improved mode of management by standardizing internal management, building vertically managed credit approval system, implementing CRO approval mechanism, improving differentiated authorization system and strengthening effective control and supervision of rural banks; second, solidified customer base and stably promoted business development. The rural banks' corporate and personal E-bank registered users reached 9418 and 146,000 respectively with a total transaction amount at RMB 67.2 billion; interfaced with SRCB's "Xin e Shop" online mall, which successfully attracted 20 rural banks and 30 local companies; third, strengthened risk management and guarded the bottom line of risk prevention. Annual accumulative recovery and resolution of NPL reached RMB 632.38 million, and that of hidden high-risk loans reached RMB 245.02 million.

— **In terms of the Financial Leasing Company**, Yangtze United Financial Leasing Co., Ltd. initiated by the Company has realized a net profit of RMB 265 million; total assets reached RMB 22.773 billion; closing balance of leased assets reached RMB 22.31 billion; total liability reached RMB 20.369 billion; capital adequacy ratio was 11.34%. The asset quality was overall stable with 1275 rents collected in the year, totaling RMB 7.9 billion; rent recovery rate was 100%. The Financial Leasing Company, under the strategic mission of "industrial finance, and platform ecosystem", focused on the founding mission of leasing business and deeply explored the target market by centering on the three directions of new urbanization, people's livelihood, and industrial upgrading, actively developed 9 business lines including medicine, tourism, education, automobile, environmental protection, communications, construction, electricity and public utilities, and formed a steady and sustainable performance supporting system.

Party Building and HR Resource

— **In terms of party building, the Company Party Committee formulated Measures on Evaluating Grass-root Party Construction**, the Construction of Party's Working Style, and Clean & Honest Administration, establishing scientific and systematic evaluation indicator system of Party construction, and strictly applying the detailed evaluation results; strengthened ideological construction of Party members to fully improve members' ideology and working styles by organizing Party members and leaders to learn important speeches by General Secretary Xi Jinping, participating activities such as "selection of two excellent Party members and one advanced Party organization", and "wear Party emblem" etc., and cultivating the atmosphere of "learning from each other and catching-up"; insisted on the integration between Party construction and Bank management, strictness and pragmatism, strict control and sincere care, put people first in promoting Party construction and reform, strengthening management, transforming working style and soliciting rationalization suggestions from the Bank to solve the staff's concerns and real problems and build a harmonious company.

— **In terms of talent team building, the Company has implemented "double-channel" development to strengthen talent building**. Completed the assessment model for professional series, and fully implemented the evaluation and employment work in the professional series. Prepared to start campus recruitment under the requirements of different levels, multiple stages, all-around and high standards to "select talents and improve image". Strengthened rotation exchange for leaders, improved Bank-wide internal hiring mechanism so as to provide good space for growth and improvement. Focused on staff training, and organized projects such as leadership training and assessment for middle-level management. Optimized talent team and steadily promoted trainings to promote staff growth such as "Xinhua Program" and "Xinmiao Program". Continued to develop online platform by focusing on the operation of WeChat learning platform, trying different mobile learning scenarios to make "Xinpeiban", the WeChat subscription account normalized.



— In terms of corporate culture, the Company has proactively adapted to the new normal of economic development and Party building, cultivated and put into active practice the core values of socialism, conducted "two excellent and one advanced" election so as to further create a sound environment of learning from the advanced and striving to be the advanced throughout the bank. Actively promoted financial knowledge to communities, suburbs, SMEs and campus. Put people first and cared about staffs' physical and mental health by organizing the 6th Staff Cultural Art Festival, traditional cultural activity, selection of "Top 10 Societies", cycling competition, symphony appreciation, and dancing salons etc. Improved the organization of Congress of Workers and Staffs, successfully completed the change of term of office for the Congress of Workers and Staffs as well as Congress of Labor Union, and standardized the Labor Union's two-level work mechanism. Organized the 5th staff skill contest to cultivate excellent talents and improve young staff's innovative awareness and mindset.

Position in Peers and Awards

According to statistics from "The Banker", a British magazine, SRCB ranked 187th among 1,000 of the largest banks in the world in 2017, 7 ranks higher than 2016, and was listed in the top 200 for four years in a row. It also ranked 25th among Chinese banks enrolled on the list. In March 2018, Standard & Poor's Ratings Services adjusted up SRCB's long-term credit rating from "BBB-" to "BBB" with a "stable" outlook while the short-term credit rating was up-regulated from "A-3" to "A-2".

SRCB ranked 38th in the "2017 Top 100 Companies in Shanghai", and 22th in Top 100 Companies in the Service Industry in Shanghai published by Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association and Shanghai Federation of Economic Organizations. SRCB was included into top 500 companies in China in 2017.

During the reporting period, SRCB won the honor of "Demonstrative Rural Cooperative Financial Institutions Supporting Agriculture and SMEs in 2017" as well as awards of "Top 10 Rural Commercial Banks of Steady Development (GYROSCOPE)" and "Evaluation Organization Award" issued by Shanghai Banking Association; "Core Trader" and "Excellent Currency Market Trader" issued by National Inter-bank Funding Center; grade A in PBOC's evaluation of corporate and personal credit reporting work; "2017 Shanghai Excellent Cooperation Bank in Scientific and Technological Finance" issued by Shanghai Science and Technology Committee and Shanghai CBRC; "Shanghai Banking Industry Best Investment Banking Business Case Award in 2017" and "Shanghai Banking Industry Scientific and Technological Finance Service Award" issued by Shanghai Banking Association; SRCB's credit card won "Best Customer Interaction and Experience Award of the Year" in the "Jiepu Award" evaluation and selection organized by "Caishiv.com", a financial media and Shanghai Banking Association; "Excellent Company in Statistical Work" issued by Shanghai Commercial Paper Exchange; "Operation Innovation Contribution Award", and "Innovative Small and Medium Bank in Inclusive Finance" honor for the "intelligent teller machine project" in the evaluation of excellent innovation case in Fintech and services in 2017; "Shanghai Outstanding Partner in SME Financing Services" honor; "Most Popular Wealth Management Product in 2017" for "Xinyi" series of RMB wealth management products during the 8th "Golden Wealth Management" election organized by Shanghai Securities News; "Public Welfare Practice Award in 2017" issued by the organizing committee of the 7th China Charity Festival; and "Best CSR Report Award" in the 2017 14th China Best Corporate Citizen selection organized by 21st Century Business Herald.

3. Income from Main Operating Businesses

Unit: RMB 1000 Yuan

transaction type	Income	
	The Group	The Bank
	615,333	259,142
Deposit in other banks	1,390,851	1,347,938
Deposit in Central Bank	2,694,590	2,694,590
Lending funds and buying back sales from financial assets	16,506,123	15,552,005
Loans and advance	6,304,234	6,304,234
Bond and other investment	27,511,131	26,157,909

4. Market Share of Main Products or Services

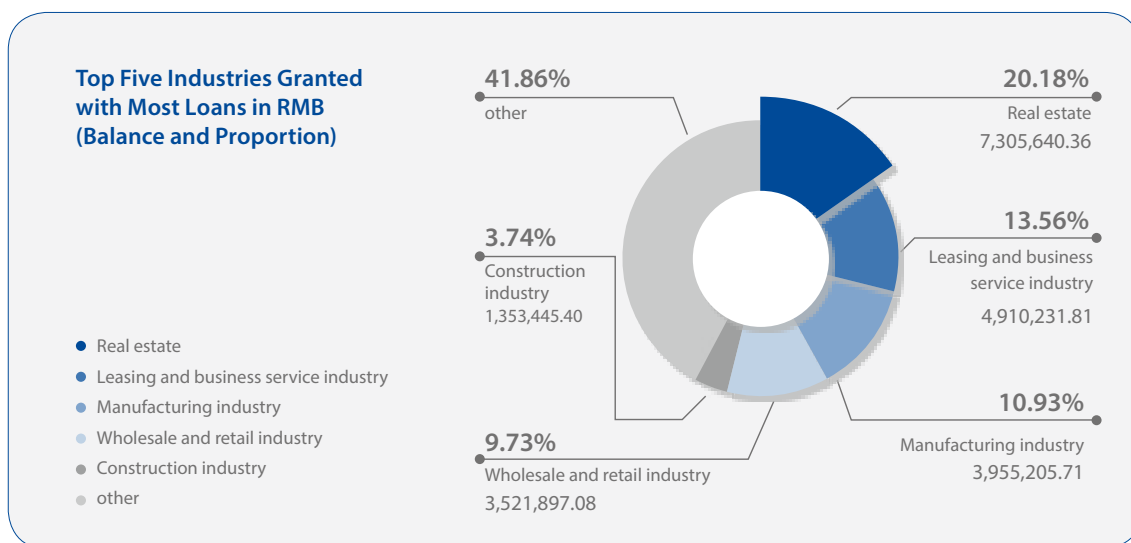
As of the end of the reporting period, in Shanghai region, the market share of SRCB's RMB deposit was 7.63%, 0.45 percentage points higher than end of last year, ranking 5th, and the share of incremental was 16.34%, up by 5.13 percentage point than last year, ranking 1st; the market share of SRCB's RMB loan was 6.14%, 0.11 percentage points higher than end of last year, ranking 5th, two ranks higher than last year, and the share of incremental was 6.8%, ranking 7th.

5. Top Five Industries Granted with Most Loans in RMB (Balance and Proportion)^{Note}

Unit: RMB 10,000 Yuan

No.	Sectors	Ending Balance	Proportion
1	Real estate	4,980,433.42	15.41%
2	Manufacturing industry	4,434,144.63	13.72%
3	Leasing and business service industry	4,217,944.11	13.05%
4	Wholesale and retail industry	3,859,651.48	11.94%
5	Construction industry	1,238,509.18	3.83%

Note: follow the definition of CBRC's "1104 off-site supervision reports".



6. Main Items of Off-balance Sheet and Risk Management

Unit: RMB 1000 Yuan

Items	Balance in 2017	Balance in 2016	Balance in 2015
The Group			
Letters of credit issued	1,585,448	1,263,950	1,302,031
Letters of guarantee issued	5,021,503	4,786,432	3,318,761
Bank acceptance bills issued	6,718,758	9,200,709	7,772,282
Credit undertakings	23,108,820	19,242,491	13,545,074
The Bank			
Letters of credit issued	1,585,448	1,263,950	1,302,031
Letters of guarantee issued	5,021,503	4,786,432	3,318,761
Bank acceptance bills issued	6,718,758	9,200,709	7,772,282
Credit undertakings	23,108,820	19,242,491	13,545,074

(III) Challenges in Business Operation and Solutions

During the reporting period, with the deepening of financial reform, the Company has continuously optimized the structure of customer and business, and promoted operation transformation. Actively developed emerging businesses, and explored fee income businesses such as bond underwriting. Credit card business has doubled by introducing new products such as car plate installment, education installment and Platinum Card etc.; the number of automatic investment plan customers increased by 50,000, and "Jicunjin" business was officially launched; SRCB ranked in top 20 in terms of annual money market trading and bond market trading, 10 ranks higher than last year; completed investment in Banking Industry Credit Asset Registration and Transfer Center; number of Labor Union Member Card increased by 259,500, first introduced debit card QR code payment and Union Pay card-less payment among China's rural credit banks, and launched APPLE PAY and Huawei PAY; established Inclusive Finance Department to actively enhance scientific and technological loans, SME loans and agricultural loans, introduced brand pledge loan, SME revolving loan and other products; and met three regulatory requirements on SME loans following national standard, namely the growth of SME loans should not below the average growth of other loans, number of SME loan accounts and SME loan approval rate should not below the level of same period last year.

During the reporting period, the pressure on internal control, fraud prevention and risk management has increased due to slowing economic growth and more strict regulation. The Company proactively responded to the challenge by organizing the Year of Compliance Quality activities to embed the idea of "compliance creates value" into people's mind, strengthened accountability on "head" so that "every mistake will be investigated and every responsible person is held accountable", implemented "10 must" for fraud prevention, and carried out special checks on "three violations", "three arbitrages", "four improper behaviors" and "ten misbehaviors" to timely identify problems and rectify; strengthened audit, rectification and accountability by holding 234 people accountable in 2017; improved risk management system for non-credit assets by further improving its post-loan management; exited from RMB 2307 million potentially high-risk loans, and recovered RMB 450 million off-balance-sheet NPL; improved risk management system for financial market business, centralized credit approval for FI customers, improved risk management of outsourced investment and cooperation with non-banking financial institutions, clarified requirements of post-loan management for non-credit investment and financing business; deepened the application of three operation risk tools, strengthened IT risk and business continuity management; improved RWA system functions, and actively promoted the application of RWA result in performance evaluation, loan pricing, monitoring of capital, and product profitability analysis; implemented centralized credit approval and review for urban sub-branches, and the credit qualification rating of branches and sub-branches.

(IV) Capital Adequacy-related Risk Management Target and Policies

The Company adhered to profit orientation, strengthened awareness of capital constraint, improved capital allocation, management, monitoring and evaluation system. A strategy of supplementing capital mainly by internal sources while complemented by external sources was adopted to ensure that capital position could effectively support and guide bank-wide transformative development and increase the ROE.

During the reporting period, guided by the new three-year overall strategy, the Company formulated SRCB 2017-2019 Capital Management Strategy; strengthened economic capital management by setting the RWA quota for each business line based on annual capital adequacy preference, and dynamically monitored and adjusted it to promote virtuous cycle between core tier-I capital and asset growth; carried out CAR assessment to analyze the capital occupation of different business lines and completed stress test; established diversified capital supplement mechanism which mainly relies on internal retained profit; issued RMB 7 billion tier-II capital bond on inter-bank open market to raise fund to supplement tier-II capital and improve capital adequacy.

The Company calculated capital adequacy ratios, tier-I capital adequacy ratio, and core tier-I capital adequacy ratio in accordance with the "Administrative Measures for Commercial Bank Capital (2012) (for trial implementation)".

III. Summary of Banking Data

(I) Basic Information of Headquarters and Branches/Sub-branches

No.	Name	Business address	Number of outlets under its control
1	Headquarters Business Department	No. 70, Zhongshan Road (East-2), Huangpu District, Shanghai, China	1
2	Shanghai Pilot Free Trade Zone Branch	No. 6, Jilong Road, Pudong New District, Shanghai	1
3	Pudong Branch	No. 1500, Century Avenue, Pudong New District, Shanghai	46
4	Minhang Branch	1-2/F, No. 670, Qixin Road, Minhang District, Shanghai	25
5	Jiading Branch	No. 386, Tacheng Road, Jiading District, Shanghai	26
6	Baoshan Branch	No. 1198, Mudanjiang Road, Baoshan District, Shanghai	30
7	Songjiang Branch	No. 405, North Renmin Road, Songjiang District, Shanghai	27
8	Jinshan Branch	No. 505, West Weiqing Road, Jinshan District, Shanghai	20
9	Qingpu Branch	No. 399, Gongyuan Road, Qingpu District, Shanghai	24
10	Fengxian Branch	No. 9780, Nanfeng Road, Fengxian District, Shanghai	27
11	Nanhui Branch	No.487, Dongmen Avenue, Huinan Town, Pudong New District, Shanghai	31
12	Chongming Branch	No. 188, Beimen Road, Chengqiao Town, Chongming County, Shanghai	31
13	Putuo Branch	No. 599, Xincun Road, Putuo District, Shanghai	21
14	Changning Branch	No. 8, Lane 555, Gubei Road, Changning District, Shanghai	10
15	Xuhui Branch	No. 3-7, Lane 9, Zhaojiabang Road, Xuhui District, Shanghai	18
16	Hongkou Branch	No. 2721, Songhuajiang Road, Hongkou District, Shanghai	11
17	Yangpu Branch	No. 1599, Huangxing Road, Yangpu District, Shanghai	10
18	Huangpu Branch	Floor1, No. 500, Guangdong Road, Huangpu District, Shanghai	6
20	Jing'an Branch	No. 770, West Beijing Road, Jing'an District, Shanghai	11
21	Jiashan Branch	No. 67-63, Jiashan Avenue, Luoxing Subdistrict, Jiashan County, Zhejiang Province	2
22	Xiangtan County Branch	No. 598, Jingui South Road, Yisuhe Town, Xiangtan County, Hu'nan Province	4
23	Kunshan Branch	F1-3, No. 183, Middle Qianjin Road, Kunshan City, Jiangsu Province	2
24	Zhangjiang Science and Technology Branch	Room 103-108, No. 8, Zone B, Lane 500, Zhangheng Road, Pudong District, Shanghai	1
Total			385

(II) 5-category Classification of Credit Assets

Unit: RMB 100 million (CNY)

	Pass		Special mention		Substandard		Doubtful		Loss	
	Balance	Percentage	Balance	Percentage	Balance	Percentage	Balance	Percentage	Balance	Percentage
2016-end	3159.09	97.72%	37.06	1.15%	28.05	0.87%	6.81	0.21%	1.76	0.05%
2017-end	3548.28	98.02%	32.46	0.90%	29.52	0.82%	4.55	0.13%	5.04	0.14%

(III) Type of Provisions

The provisions for impairment of assets are subject to relevant Accounting Standards. Details are listed as below:

1. Provisions for impairment of assets include loans and advances, financial assets available for sale, held-to-maturity investment, accounts receivable investment, long-term equity investment, foreclosed assets, etc
2. The balance of impaired assets was RMB 12.663 billion at the end of 2016.

(IV) Loan Ratio of Top Ten Customers

Customer name	Loan balance (RMB 10,000 Yuan)	Ratio of total loans (%)
Shanghai Expo Land Co., Ltd.	292,500	0.81
Shanghai Zhonghuan Tiandi Investment Co., Ltd.	165,269	0.46
Shanghai Mindu Property Co., Ltd.	158,650.6	0.44
Shanghai Chongyu Property Development Co., Ltd.	158,100	0.44
Shanghai Xianda Property Development Co., Ltd.	149,375	0.41
Shanghai Changtai Commercial Operation and Management Co., Ltd.	148,250	0.41
Shanghai Property (Group) Co., Ltd.	138,050	0.38
Shanghai Industrial Development Shareholding Co. Ltd.	135,000	0.37
Kunshan Rongxinkaiting Property Development Co., Ltd.	123,986	0.34
Shanghai Fengxian District Rail Transit Construction & Investment Co., Ltd.	108,000	0.30

(V) Credit Approved to Group Customers and Risk Management

The Company centralized credit approval of group customers. First, the 2017 Credit Disbursement Policy made clear the requirements to strengthen Group (related) relationship identification and recognition, and avoided over-credit disbursement by analyzing hidden relationships between customers in terms of related investment, personnel, financing and transactions; second, formulated SRCB Unified Credit Approval Management Measures of Group (related) Customers and SRCB Key Points in Monitoring Risks of Large Credit Approval Business etc. to clarify ways of identifying and recognizing Group (related) customers, strengthen management and control, strictly prevent risks of related-party corporate loans as well as credit risk contagion.

(VI) Discount Loan exceeding $\geq 20\%$ of Loan Balance by End of 2017

None.

(VII) Closing Balance of Restructured Loans and Overdue Loans

At the end of the reporting period, restructured loans was zero, of which overdue loan was zero.

(VIII) Daily Average Balance and Interest Rates of Main Categories of Deposits and Loans

Unit: RMB 1000 Yuan

Category	The Bank	
	Average balance	Average interest rate
Self-operating loan	321,377,021	4.35%
-Corporate loans	209,183,372	4.54%
-Personal loans	88,306,322	4.07%
-Direct discount	23,887,326	3.66%
Deposits	540,334,763	1.80%
-Current deposits	251,022,149	0.61%
-Term deposits	289,312,614	2.83%

(IX) Government Bonds Held by the Company at the End of the Reporting Period

Categories of bonds	Nominal value of balance (RMB 10,000 Yuan)	Due date	Coupon rate %
2001 Book-entry treasury bonds	15,000.00	2021.10	3.85
2003 Book-entry treasury bonds	10,000.00	2018.10	4.18
2008 Book-entry treasury bonds	36,000.00	2018.3-2038.5	3.68-4.5
2009 Book-entry treasury bonds	42,000.00	2019.6 -2019.11	3.09-3.68
2010 Book-entry treasury bonds	318,000.00	2020.2-2040.12	3.28-4.23
2011 Book-entry treasury bonds	326,000.00	2018.1-2021.11	3.57-3.99
2012 Book-entry treasury bonds	273,000.00	2019.3-2022.12	3.14-3.55
2013 Book-entry treasury bonds	771,000.00	2018.1-2033.8	3.09-4.32
2014 Book-entry treasury bonds	52,000.00	2024 年 12 月	3.77
2015 Book-entry treasury bonds	1,187,000.00	2018.3-2025.10	2.73-3.64
2016 Book-entry treasury bonds	779,700.00	2018.5-2026.11	2.29-2.95
2017 Book-entry treasury bonds	763,000.00	2018.1-2047.10	2.77-4.28
2013 Certificate treasury bonds	2,956.37	2018.3-2018.11	5.41
2014 Certificate treasury bonds	2,215.48	2019.3-2019.11	5.41
2015 Certificate treasury bonds	4,082.85	2018.3-2020.10	4.25-5.32
2016 Certificate treasury bonds	2,337.80	2019.3-2021.11	3.8-4.42
2017 Certificate treasury bonds	880.19	2020.3-2022.11	3.8-4.22
Total	4,585,172.69	2018.1-2047.10	2.29-5.41

(X) Non-performing Loans at Year-end and Initiatives Taken

At the end of the reporting period, total loans of the Bank reached RMB 361.986 billion (CBRC definition). Given the five-category classification, there was RMB 354.828 billion in pass loans, accounting for 98.02%, and RMB 3.246 billion of special mention loans, accounting for 0.9%. The last three categories of loans totaled RMB 3.911 billion, up by 2.5 percentage points. NPL% was 1.08%, down by 0.05 percentage point than last year-end. Absolute amount of NPL increased while NPL% decreased. Substandard loans increased by RMB 147 million; doubtful loans declined by RMB 225 million; loss loans increased by RMB 328 million.

At the end of the reporting period, the Company's foreclosed assets totaled RMB 4.92 million, with a decrease of RMB 230.5 million than year beginning. Within the reporting period, RMB 506.45 million of non-performing loans were written off.

In terms of solving and cutting down non-performing loans, first, the Company organized special check on forfeiting business of domestic letter of credit, operational property loan, and joint-guarantee loan to screen potential risks; second, screened high-risk loans,

developed exit plans by stages and risk mitigation measures while supervised the exit progress; third, played the leading role of HQ in large amount recovery, speeded up disposal of collaterals, and made full use of written-off resources, took multiple measures to cut down non-performing loans; fourth, fully used off-site monitoring and other means to prevent potential risks relying on the credit risk pre-warning system.

(XI) Foreclosed Assets

By the end of the reporting period, the balance of foreclosed assets was RMB 4,920,500, in which balance for equity rights were RMB 4,920,500.

(XII) Overdue Outstanding Debt

None.

(XIII) Various Risks Faced by the Company and Corresponding Counter-measures

During the reporting period, regulatory policies are more and more strict with PBOC strengthened MPA evaluation, CBRC carried out special rectification measures against "three violations", "three arbitrages", "four improper behaviors" and "ten misbehaviors", cancelled rigid payment for financial assets, and deepened bank liquidity risk management. RMB internationalization, interest rate liberalization, diversification of bank business, and scientific and technological finance have all raised higher requirements to the risk management level of banks.

Countermeasures of credit risks:

first, strengthened study of macro-economic and financial environment to improve the foresight of risk management; issued and implemented SRCB 2017 Credit Direction Policies; published macro-economic analysis and industrial price index monthly; continuously tracked and studied key industries including real estate and manufacturing industries; second, further optimized approval authority system by establishing urban approval center under the HQ Credit Approval Department to centralize the approval for some branches with overlapping authority; third, continuously improved corporate credit approval business system by following external environment and regulatory requirements in amending or formulating risk management policies and product business management measures; fifth, continuously built credit business teams by organizing qualification exams for credit practitioners to further improve their comprehensive quality and knowledge.

Countermeasures for market risks:

first, set 2017 market risk indicators including limits of position, stop-loss, sensitivity, and risk value based on domestic and

international economic and financial development trends, business development plan and risk tolerance, monitored, measured and reported daily to ensure that the Bank-wide risk of financial market business is within the range set by the Board; second, further amended SRCB Bank Account Categorized Management Measures and SRCB Post-loan Management Measures for Non-credit Investment and Financing Business (trial) etc. according to external regulatory requirement; third, continuously deepened market risk management IT system, and improved system functions of external and internal statement systems.

Countermeasures for operation risks:

first, established complete operation risk management policies, measures, and implementation details to improve the system of operation risk for branches and sub-branches, and promoted the application of three operation risk tools (RCSA, KRI, and LDC); second, streamlined and optimized business processes to make the management of compliance and operation risks more pertinent and effective; third, regularly collected and summarized operation risk incidents, analyzed risk-susceptible environment to actively take preventive measures; fourth, regularly monitored and adjusted key risk indicators to expand scope of monitoring and improve monitoring mechanism; fifth, improved GRC system function and risk management modules and process to improve data quality; sixth, analyzed gaps for further improvement and caught up with good practices in the industry.

Countermeasures for liquidity risks:

in 2017, the Group's liquidity coverage ratio was 132.43%, including RMB 77.52 billion of qualified and high-quality liquid assets, net cash outflow was RMB 58.534 billion; corporate liquidity coverage ratio was 121.29%, including RMB 75.626 billion of qualified and high-quality liquid assets, net cash outflow was RMB 62.353 billion. First, continuously improved and amended liquidity management rules and regulations; second, strengthened treasury function management and optimized fund management; third, liquidity risk stress test was conducted regularly and contingency drills on liquidity risk were carried out; fourth, expanded source of financing by actively participating in PBOC's open market and interbank market; fifth, steadily promoted system development to effectively support liquidity risk management.

Countermeasures for legal risks:

first, established legal counsel system, formulated Legal Counsel Management Measures, increased legal counsel backup to strengthen business guidance and support; second, completed the revision of Compliance Policies, issued Code of Compliant Operation (2016) and Compliance Brief 500th Edition to focus on key policies and hot cases, improve staff's bottom-line awareness and standardize operation risk management process; third, on the occasion of the "7th five-

year plan" of law popularization, organized legal training and test to improve the pertinence, perspectiveness, and practicability of legal trainings, improve the legal and compliance awareness of grass-root staff; fourth, strengthened rectification, improved compliance and internal control evaluation system, and timely made up the gap in business process.

Countermeasures for reputation risk:

first, completed preventive mechanism for reputation risk and strengthened the reputation risk self-assessment for new business; second, standardized management requirements for Bank-wide new media platform and cleaned invalid accounts; third, organized contingency drill for personal wealth management business to strengthen the awareness of reputation risk prevention; fourth, organized reputation risk trainings to improve staff's capability of handling emergencies; fifth, organized theme promotion activities and published nearly 1100 articles on mainstream media.

IV. Analysis of Financial Status and Operating Results

Unit: RMB 1000 Yuan

Items	The Bank			Primary reason
	2017/12/31	2016/12/31	Increase/ decrease	
Total assets	776,447,294	683,257,152	93,190,142	Expansion of operating scale
Long-term investment on equity	1,698,917	1,919,480	-220,563	Disposal of long-term equity investment
Fixed assets	4,499,713	4,037,285	462,428	Increase in fixed asset
Total liabilities	725,354,961	637,443,835	87,911,126	Increase in deposits and active liabilities
Owner's equity	51,092,333	45,813,317	5,279,016	Increase in undistributed profits
Operating profit	7,815,184	7,012,221	802,963	Expansion of business scale, and stable net interest margin
Investment income	2,135,842	2,419,583	-283,741	Fluctuation of market interest rate and exchange rate
Net profit attributable to shareholders of the parent company	6,585,534	5,849,763	735,771	Expansion of business scale, and stable net interest margin

V. Serious Asset Loss Caused by Joint Liability of External Guarantee

None.

VI. Serious Asset Loss Caused by Operational Risk

None.

VII. Change and Influences of Operating Environment, Macro Policies and Regulations

In 2017, China's economy was improving steadily with GDP year-on-year growth at 6.9%, CPI year-on-year growth at 1.6% with the quality and performance of economic development improving. Looking into the future, China's development was faced with challenges and opportunities in the current domestic and international situations. World economy was expected to keep recovering but there were still many uncertainties; China's economy was at a key stage of transforming mode of development, optimizing economic structure and shifting from old growth drivers to new drivers.

Changes and impacts of macro policies and regulations include:

1. PBOC stick to the steady and neutral monetary policy, closely focused on the supply and demand of liquidity in the banking system and change of market expectation, and flexibly used various monetary instruments to conduct open market operation properly, which

have effectively maintained the moderately neutral and rationally stable liquidity in banking sector, as well as the stability of monetary market.

2. Implemented inclusive finance and targeted cuts of reserve requirement ratio by expanding the policy to inclusive finance including poverty alleviation and "mass innovation and entrepreneurship" to facilitate the development of inclusive finance with more financial resource support;

3. Actively built and improved the macro prudential policy framework, included off-balance-sheet wealth management into the scope of broad credit indicator, and included green finance into MPA "credit policy execution" to effectively guide financial institutions to strengthen self-discipline and self-management, promote sound operation of financial institutions and strengthen the sustainability of financial services to the real economy.

VIII. Business Development Plan for the New Year

(I) Guidelines for Business Development for the New Year

In 2017, the Company will deeply follow the spirit of the 19th CPC National Congress, Central Economic Working Conference, Central Rural Working Conference and the 3rd Plenary Session of the 11th Shanghai CPC Committee, accurately follow the overall principle of "seeking progress while maintaining stability", promote the new three-year development strategy, highlight the quality of development, strengthen risk management, internal control and refined management, deepen operation transformation, aim at the target of independent IPO, comprehensively improve capability of serving customers and build service-oriented bank.

(II) Main Business Targets for the New Year

- Total asset reaches RMB 820 billion, up by around 5.6% compared with 2017;
- Daily average deposit grows by around 8%;
- Annual net profit maintains positive growth compared with 2017;
- Year-end NPL% is controlled within 1.2%, and provision coverage ratio not lower than 200%.

(III) Main Development Measures in the New Year

Corporate Banking

— In terms of corporate banking, solidify customer base, strengthen customer exploration, improve the return rate and stickiness of strategic customers. Practice inclusive finance, facilitate SME development, increase the scale of SME business, adjust structures and enhance performance, complete the regulatory requirements of "the growth of SME loans should not below the average growth of other loans, number of SME loan accounts and SME loan approval rate should not below the level of same period last year". Maintain the agricultural characteristic and build urban agricultural financial service system by innovating and optimizing products, mechanisms and businesses. Actively participate in the development of Shanghai Scientific Innovation Center by promoting financial services to scientific and test innovation, and optimize Bank-wide scientific financial services from "1+X" to "2+N". Explore new investment banking business, strengthen professional service support, improve institution and talent team building, orderly promote the development of bond underwriting, non-standard investment,



and equity fund business. Streamline corporate finance products, strengthen product innovation, and transform from developing single product to providing comprehensive customer service.

— **In terms of trade finance**, strengthen cooperation with agent banks, product and service system development, and steadily improve the profit contribution from trade finance business. Actively look for opportunities of performance guarantee in "belt and road" M&A projects, promote "FTA loan with domestic guarantee", and other cross-boarder guarantee business such as performance guarantee letter to support Chinese companies' "going global", meet their diversified and international financing needs. Further promote foreign exchange asset business including proprietary foreign exchange loans and traditional trade financing to support productive manufacturing import and export companies' operation of main businesses. Rely on products to expand agency business such as entrusted payment, issuance of letter of credit or guarantee, foreign currency bond transaction and settlement business; Follow "three requirements" on business development to strengthen the authenticity review of trade, standardize risk management of trade finance business, and promote compliant and orderly development of the Bank's cross-border business.

Retail banking

— **In terms of retail banking**, promote the second transformation of retail business, effectively improve its value-creating capability and sustainability. Focus on increasing wealth management scale, and cultivate new growth points for fee income by asset management, trust, and fund business. Accelerate the pace of product innovation, continue to explore new cooperation institutions and related products, and prepare net-worth wealth management products in advance. Focus on the interaction between corporate and retail business, and strengthen marketing on special payment processing. Strengthen retail team building, add dedicated wealth managers, enhance talent cultivation and team building, and improve certification rate of the team. Promote refined management of outlet marketing, marketing process, and coordination efficiency, strengthen customer segmentation and management of middle and high-end customers. Actively enhance customer acquisition for Social Security Card and Labor Union Member Card, strengthen branding by diversifying card-related activities to continuously grow effective customers of Labor Union Member Card. Increase bank card holding and customer loyalty. Develop new drives for consumer loans, focus on "XinE loan", online consumer loan and personal housing rental loan.



— **In terms of credit card business**, develop innovative credit card products for young customers based on payment business to build a fashionable brand image. Optimize third-party payment system and strengthen Internet finance servisability. Explore more consumption scenarios for asset business to accelerate line-up of products and improve yield. Promote value-added businesses, upgrade high-end card products, continuously expand platinum business card, value-added services, and channel promotion etc.. Promote the development of marketing channels, fully use assisting sales, telephone



sales, and on-spot marketing etc., explore new customer acquisition channels such as online marketing. Strengthen risk management to ensure sound and rapid business development.

Trade financing

— **In terms of trade finance**, follow policy orientation and the two main work of profit creation and product service, build the operation philosophy of light asset, light capital and light scale, and realize transformation from scale-driven development to value-driven business development. First, profit center—transform fund operation from single product asset-liability allocation to cross-product, cross-line and cross-market asset-liability portfolio management, improve cross-development and explore new income source; second, product center—improve customer stickiness with comprehensive products and professional service, and build diverse product lines with gold leasing, bond lending, "Jicunjin" and asset securitization.

— **In terms of asset management business**, follow the idea of "transform development and return to the founding mission", smoothly transit to new policies, and form characteristic asset management service models. Rebuild product system and product matrix, promote business transformation, and build core products. Further expand marketing channels to improve marketing service and support the development of sub-branches. Closely follow change and development of regulatory policies on asset management business, timely adjust asset structure, continue to increase the scale of active investment, control the proportion of outsourced investment and improve refined management of existing special accounts. Promote diversified development, keep exploring bond market, and actively participate in financial asset trading platforms recognized by regulators, expand equity asset investment, and innovate to lay a solid foundation for future asset management business.

Channel and Service

— **In terms of Internet finance**, promote business transformation by building remote business processing platform. Strengthen support to corporate business, improve and optimize cash management system. Closely follow the trend of mobile service, build brand-new mobile banking platform. Continue to improve direct banking products and explore proper application scenarios. Strengthen offline-online and internal-external service interaction to support the Bank's business development. Strengthen business management, prevent business risks and implement risk control measures.

— **In terms of branch network**, deeply cultivate Shanghai's local market, actively optimize outlets to serve the need of business development by following the principle of "control total volume, adjust existing outlets, serve the community, increase number of intelligent teller machines, promote outlet transformation and improve outlet productivity".

— **In terms of scientific and technological support**, optimize application system architecture and further improve system availability to provide technical support and guarantee to the sustainable business development. First, upgrade fee income business development platform and core application system migration to effectively reduce server cost, strengthen fast horizontal expansion, improve business processing efficiency and adapt to the need of fast business development; second, strengthen modification of core high-availability cluster to realize distributed arrangement, remove single point risk, and improve high availability; third, strengthen tracking and study of new technologies by closely following up the development of Fintech and innovating business; focus on building proprietary bio-authentication platform to explore application of bio-authentication in remote account-opening, ATM-assisted account opening and other businesses; fourth, further strengthen information security management, complete security management and control project for office terminals, establish uniform desensitization platform for sensitive data, and realize full coverage of security scan on key system codes.

— **In terms of protecting consumer rights and interests**, first, follow latest regulatory requirements to improve business procedure, operation standards and staff code of conduct in key areas and effectively strengthen business operation management; second, strengthen pre-coordination and post-control mechanisms related with consumer rights and interests protection by rules and process, and implement internal regulations and regulatory requirements on consumer rights and interests protection in various stages including design and development of products and services, pricing management, agreement drafting, approval and marketing, product salesman and customer information protection etc. to improve refined management; third, strengthen the application of consumer rights and interests protection evaluation results, and improve consumer rights protection work by means of internal control.

Risk Management

— **In terms of risk management**, stick to steady risk appetite strategy, aim at maximizing RAROC, ensure the bottom line of no systematic risk, and control risk within the level that the Bank is willing and able to take. Continue to promote comprehensive risk management, improve comprehensive risk management system, focus on improving the completeness, independence, perspectiveness, professionalism and refined level of risk management, strengthen application of new Basel Accord, use risk weighted asset calculation system, internal rating system and internal market risk models and systems to fully improve the Bank's risk identification, measurement, monitoring and management, ensure that the Bank's overall risk management level takes the lead among small and medium-sized rural financial institutions, and try to reach the medium level of listed banks.

— **In terms of internal control**, implement strict regulatory requirements, revise and improve evaluations on internal control, fraud prevention, and anti-money laundering, carefully implement annual internal control evaluation and assessment to objectively assess the internal control situation of different units. Strengthen control of staff conduct, timely identify risk hazards. Strengthen the development of grass-root level compliance and internal control organizations and teams and clarify the roles and responsibilities of different levels. Implement legal counsel system and strengthen legal review of major issues including related-party transaction. Improve effective and scientific management by relying on IT technology, optimizing GRC system, pre-warning system, and anti-money laundering system.

— **In terms of compliance management**, be risk-oriented by focusing on the compliance of corporate governance, internal control, financial consumer rights and interests protection, and the development of key business. Follow regulatory focus, promote rectification and implementation of regulatory opinions, strengthen communication with regulators, and build the communication mechanism between business department and regulators. Improve compliance evaluation of new business and products, promote product innovation considering development strategies. Strengthen staff compliance education and legal publication to improve staff's work ethics and compliance awareness.

Group Investment Management

— **In terms of rural bank**, deepen institutional reform, improve performance evaluation system for rural banks, standardize rural banks' corporate governance, and promote scientific development of rural banks. Strengthen risk control, and promote the recovery and reduction of NPL and hidden high-risk loans. Resolve NPL and hidden high-risk loans, accelerate NPL recovery and disposal following "one policy for each account". Improve internal control system, continuously strengthen and improve credit approval system, implement CRO risk control to improve the quality and efficiency of risk management and control in rural banks. Improve service capability, stick to the positioning of "SME and agricultural market", promote liability business, expand source of deposits, optimize liability business structure, follow low-cost strategy, gradually increase the proportion of low-cost liability, link deposit with loans to increase loan customers' contribution to liability business.

— **In terms of the Financial Leasing Company**, follow the path of "integrating industry and finance, enabling development by professionalism", deepen the interaction between banking and leasing business, focus on macro market trends, serve domestic and international markets, focus on three functions including capital financing, good financing, and service, integrate four resources including product, fund, talent, and cooperation partner, optimize management mechanism before, during and after leasing, strengthen the building of customer service system, upgrade financial market operation, strictly guard the bottom line of risk management, and create the new pattern of "colorful Yangtze United Financial Leasing".

Party Building and Talent Team

— **In terms of Party building**, strengthen the all-around Party leadership, organize Party members to learn and follow the spirit of the 19th CPC National Congress and President Xi Jinping's thought on socialism with Chinese characteristics for anew era. Further improve Party building evaluation system, emphasize incentive orientation, improve ideological education on Party members, and their mindset as well as working style. Actively organize Party member activities, encourage Party members to stay close to the grass root and the public, focus on corporate development, staffs' life and build a harmonious company.

— **In terms of talent team building**, centering on the Company's strategic targets, select a batch of leaders with high comprehensive quality, deep understanding of the business, planning, good implementation, strong innovation and adaptation to the need of work. Strengthen cultivation of strategic talents including asset management, investment banking, risk control, compliance, IT etc. Enlarge marketing team and improve performance per outlet per capita by improving staff structure, modify process, integrate outlets, and flexible work system. Enhance the pertinence and pragmatism of education and training, continue to improve leadership training and staff growth training, build tiered professional business training system.



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2/1

Changes in Share Capital and Shareholders

Changes in Share Capital
Shareholders

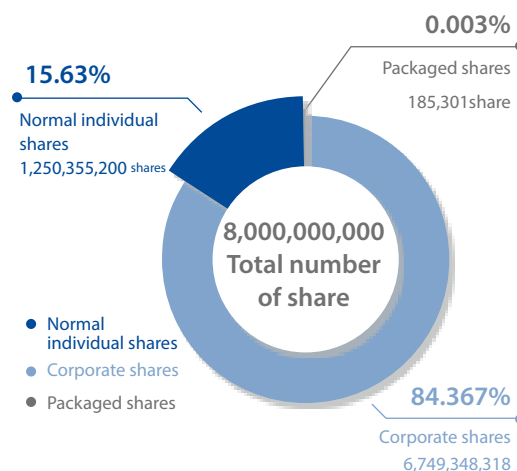


I. Changes in Share Capital

(I) Capital Structure Table

Unit: Share(s)		
Type of shareholder	Number of shares	Percentage to total capital
Corporate shares	6,749,348,318	84.367%
Normal individual shares	1,250,355,200	15.63%
Packaged shares*	296,482	0.003%
Total shares	8,000,000,000	100%

*Packaged shares: Under Document (2004) No. 61 of CBRC, any capital stock whose shareholders cannot be identified by the original rural credit cooperatives shall be converted into a 'packaged share' and subject to further processing after the actual shareholder is identified.



(II) Issuing of Shares

None during the reporting period. On 28 June 2017, the Company converted reserve fund to increase shares. Increase 6 shares per original 10 shares based on 5 billion total share capital. As a result, total share increased by 3 billion shares, or RMB 3 billion. And the total shares after conversion was 8 billion shares.

II. Shareholders

(I) Number of Shareholders and Their Shares

At the end of the reporting period, the Company had a total of 24,657 shareholders, of which 221 were corporate shareholders, 24,435 were individual shareholders and 1 was a holder of packaged shares.

Top 10 shareholders and their shares with changes at the end of the reporting period:

Unit: 10,000 shares					
No.	Shareholder's name	Nature of shareholder	Shareholding ratio	Total number of shares ^{note 2}	Increase/decrease during the reporting period
1	Shanghai State-owned Assets Operation Co., Ltd.	State-owned Corporate Shares	10.00%	80,000	-
2	China Cosco Shipping Corporation Ltd.	State-owned Corporate Shares	10.00%	80,000	+80,000
3	BaoSteel Corporation Ltd.	State-owned Corporate Shares	10.00%	80,000	+80,000
4	China Pacific Life Insurance Co., Ltd.	State-owned Corporate Shares	7.00%	56,000	-
5	Shanghai International Group Co., Ltd.	State-owned Corporate Shares	6.02%	48,147.429	-
6	Shenzhen Lenovo Service and Technology Park Co., Ltd.	General Corporate Shares	5.73%	45,848.625	-
7	Rizhao Steel Holding Group Co., Ltd.	General Corporate Shares	4.90%	39,200	-
8	Shanghai Guosheng Assets Co., Ltd.	State-owned Corporate Shares	4.47%	35,767.751	-
9	Lanhai Holding Group Co., Ltd.	General Corporate Shares	4.20%	33,600	+32,000
10	Shanghai International Group Asset Management Co., Ltd.	State-owned Corporate Shares	4.00%	32,036.857	-
Total			66.33%	530,600.66	-

Relationship between the Above-mentioned Shareholders and Frozen Shares Held by Shareholders

The Shanghai State-owned Assets Operation Co., Ltd. and the Shanghai International Group Asset Management Co., Ltd. are wholly owned subsidiaries of Shanghai International Group Co., Ltd.

note 2: On 28 June, 2017, the Company converted capital reserve to increase share capital (increase 6 shares per 10 original shares).

(II) Summary of Major Shareholders Following Regulatory Definition

1. Shanghai State-owned Asset Operation Co., Ltd. holds 10% shares of the Bank.

Established in October 1999, it is a wholly-owned subsidiary of Shanghai International Group. It has a registered capital of RMB 5.5 billion with assets totaling over RMB 70 billion. With asset management at its core, the company makes investments through marketization and acquires as well as disposes non-performing assets of financial companies in batches.

2. China Cosco Shipping Corporation Ltd. holds 10% shares of the Company.

Established in February, 2016, it is a solely state-owned company with a registered capital of RMB 11 billion. Scope of business includes shipping, logistics, finance, equipment manufacturing, shipping service, social industries, and Internet+ related business based on innovative business model. It is a world-leading logistic supply chain service provider.

3. BaoSteel Corporation Ltd. holds 10% shares of the Company.

Established in February 2000, it is a listed company held by China Baowu Group with a registered capital of RMB 22.103 billion. It is a competitive steel company in the world with steel products as main business, and the business scope also covers technological management and consulting, import and export of commodities and technology, production and sale of chemical products etc.

4. China Pacific Life Insurance Co., Ltd. holds 7.00% shares of the Company.

The company was established in November 2001 with China Pacific Insurance (Group) Co., Ltd. as its holding company with a registered capital of RMB 8.42 billion. It is primarily engaged in the life insurance business, including life insurance, health insurance, personal accident insurance and re-insurance of such business, as well as use of funds as stipulated in the Insurance Law and relevant laws and regulations, and other businesses as approved by the China Insurance Regulatory Commission (CIRC).

5. Shanghai International Group Co., Ltd. (SIG) holds 6.02% shares of the Company.

It is a solely state-owned company established in April 2000, with a registered capital of RMB 10.559 billion. SIG performs three major functions; namely, investment and holdings, capital operation, and state-owned asset management. The company is authorized by the Shanghai Municipal People's Government to invest (with emphasis on financial investment) and support capital operation, asset management and other services.

6. Shenzhen Lenovo Science and Technology Park Co., Ltd. holds 5.73% shares of the Company.

Established in April 2001 with a registered capital of RMB 223 million. The company maintains the following business scope: smart informationalization research of property, information network technology development, research in electronic communication technology (excluding restricted projects). It also leases self-owned properties.

7. Rizhao Steel Holding Group Co., Ltd. holds 4.9% shares of the Company.

It was established in May 2003 with a registered capital of RMB 800 million. Major scope of business includes power generation, ferrous metal smelting, calendaring, and processing; metallurgy products and by-products, metallurgy auxiliary materials, ferroalloy, hardware and tools, coke production and sales, wholesale and operation of coal etc.

8. Shanghai Guosheng Assets Co., Ltd. holds 4.47% shares of the Company.

It was established in January 2010 with a registered capital of RMB 7 billion. Scope of business includes industrial investment, investment in property and related industries, urban infrastructure and facilities, capital operation, asset acquisition, packaging, and transferring, corporate and asset custody, debt restructuring, entrusted investment, investment consultation, financial consultation, corporate restructuring and M&A consultation and agent, corporate wealth management consultation, and consultation services related with the scope of business.

9. Lanhai Holding Group Co., Ltd. holds 4.2% shares of the Company.

It was established in September 2003 with a registered capital of RMB 6 billion. The scope of business includes investment management, modern agriculture, ecological forestry, property development and operation, IT consultation service, the sale of ferrous metal, construction materials, rubber and auto parts, as well as the import and export of goods and technology.

10. Shanghai International Group Asset Management Co., Ltd. holds 4% shares of the Company.

It was established in December 1987 with a registered capital of RMB 3.5 billion. The business scope includes offshore and onshore investment business, asset operation and management, corporate management, financial consultation (excluding bookkeeping agency), investment consultation (excluding brokerage).

11. Shanghai Shanxin Real Estate & Development Co., Ltd. holds 1.32% shares of the Company.

It was established in September 1996 with a registered capital of RMB 20 million. Scope of business includes property development and operation, leasing of proprietary housing, production, processing and sale of electronic products (excluding medical devices).

12. Orient International (Holding) Co., Ltd. holds 1.2% shares of the Company.

It was established in October 1994 with a registered capital of RMB 800 million. Scope of business includes operation and agency of import and export business of textile and clothing, undertaking joint venture operation, cooperative production and assembling with supplied parts, processing with supplied materials and samples, and compensation trade, import and export of technology, overseas project contracting of textile and clothing industry, domestic bidding for international projects, overseas dispatch of labors, international freight forwarding, property right brokerage and proprietary housing leasing.

(III) Main Shareholder and Its Controlling Shareholder, Actual Controller, Related-party, Person Acting in Concert, Final Beneficiary, Nominated Director and Supervisor at End of Reporting Period

	Name of main shareholder	Nominated director/ supervisor(No. of person)	Name of actual controller	Share% including related-party and person acting in concert	Share pledge%	Note
1	Shanghai State-owned Assets Operation Co., Ltd.	Director (1)	Shanghai State-owned Assets Operation Co., Ltd.	20.02%	0	
2	China Cosco Shipping Corporation Ltd.	Director (1)	State Council	10.00%	0	The director is in the process of nomination
3	Bao Steel Corporation Ltd.	Director (1)	China Baowu Group	10.00%	0	The director is in the process of qualification review
4	China Pacific Life Insurance Co., Ltd.	Director (1)	China Pacific Life Insurance Co., Ltd.	7.00%	0	
5	Shanghai International Group Co., Ltd.	Director (1)	Shanghai SASAC	20.02%	0	
6	Shenzhen Lenovo Service and Technology Park Co., Ltd.	Director (1)	Beijing Hongyi 2010 Equity Investment Center (Ltd. Partnership)	5.73%	0	

	Name of main shareholder	Nominated director/ supervisor(No. of person)	Name of actual controller	Share% including related-party and person acting in concert	Share pledge%	Note
7	Rizhao Steel Holding Group Co., Ltd.	Director (1)	Du Shuanghua	4.90%	100%	
8	Shanghai Guosheng Assets Co., Ltd.	Director (1)	Shanghai Guosheng Assets Co., Ltd.	4.47%	0	
9	Lanhai Holding Group Co., Ltd.	Supervisor (1)	Mi Chunlei	4.20%	95.24%	
10	Shanghai International Group Asset Management Co., Ltd.	Supervisor (1)	Shanghai International Group Co., Ltd.	20.02%	0	
11	Shanghai Shanxin Real Estate & Development Co., Ltd.	Supervisor (1)	Wu Zhenlai	1.32%	0	
12	Orient International (Holding) Co., Ltd.	Supervisor (1)	Shanghai SASAC	1.20%	0	

(IV) Share Pledge by Major Shareholders

As of end of the reporting period, the number of pledged shares by major shareholders totaled 712 million shares, including 392 million shares pledged by Rizhao Steel Holding Group Co., Ltd. (100% of its holding), 320 million shares pledged by Lanhai Holding Group Co., Ltd. (95.24% of its holding).

Shareholder name	Number of shares (1,000 shares)	Number of pledged shares (1,000 shares)	Pledge%
Rizhao Steel Holding Group Co., Ltd.	39,200	39,200	100.00%
Lanhai Holding Group Co., Ltd.	33,600	32,000	95.24%

Note: Pledge% = number of pledged shares / number of shares held by the shareholder.

(V) Other Information Required by CBRC

During the reporting period, the 5th meeting of SRCB 3rd Board reviewed and approved the Proposal on Share Transfer from Shenzhen Lenovo Service and Technology Park Co., Ltd. to D.S Agriculture Group, and the equity transfer application is reported to Shanghai CBRC for approval. In April 2018, the two parties in the transfer cancelled the transaction and SRCB withdrew this application from regulator.

2/2

Directors, Supervisors, Senior Management and Employees

Board of Directors and Supervisors and Senior Management

Work Experience of Directors, Supervisors and Senior Management

Changes in the Board of Directors and Supervisors and Senior Management

Remuneration and Incentive Mechanism

SRCB Staff



I. Board of Directors, Supervisors and Senior Management

Position	Name	Gender	Year of Birth	Date of attendance	Remuneration (√)	Number of shares (shares)
Members of the Board of Directors						
Chairman	Ji Guangheng	Male	1968	2017.3.30—change of term of office	√	
Vice Chairman	Xu Li	Male	1967	2017.3.30—change of term of office	√	
Employee Director	Shen Xunfang	Male	1958	2017.3.30—change of term of office	√	800,000 ³
Shareholding Director	Zhou Lei	Male	1978	2017.3.30—change of term of office		
Shareholding Director	Zhao Ying	Male	1971	2017.12.15—change of term of office		
Shareholding Director	Wang Tayu	Male	1970	2017.12.15—change of term of office		
Shareholding Director	Chen Shuai	Male	1974	2017.3.30—change of term of office		
Shareholding Director	Xue Jian	Male	1965	2017.3.30—change of term of office		
Shareholding Director	Ha Erman	Female	1975	2017.3.30—change of term of office		
Independent Director	Wang Kaiguo	Male	1958	2017.3.30—change of term of office		
Independent Director	Zhu Yuchen	Male	1961	2017.3.30—change of term of office		
Independent Director	Chen Jiwu	Male	1966	2017.3.30—change of term of office		
Independent Director	Sun Zheng	Male	1957	2017.3.30—change of term of office		
Independent Director	Chen Naiwei	Male	1957	2017.3.30—change of term of office		
Independent Director	Chen Kai	Male	1970	2017.3.30—change of term of office		
Independent Director	Mao Huigang	Male	1972	2017.3.30—change of term of office		
Members of the Board of Supervisors						
Chairman of the Board of Supervisors	Sun Jianping ⁴	Male	1957	2017.3.30—2018.4.27		
Vice Chairman of the Board of Supervisors	Ma Yongjian	Male	1971	2017.9.4—change of term of office	√	
Shareholding Supervisor	Wu Zhenlai	Male	1950	2017.3.30—change of term of office		640,000
Shareholding Supervisor	Zhu Peilan	Female	1975	2017.3.30—change of term of office		
Shareholding Supervisor	Zhang Xilin	Male	1979	2017.3.30—change of term of office		
Employee Supervisor	Xu Jingfen	Female	1969	2017.3.30—change of term of office	√	
Employee Supervisor	Yang Yuanjun	Male	1966	2017.3.30—change of term of office	√	240,000
External Supervisor	Wu Jian	Male	1968	2017.3.30—change of term of office		
External Supervisor	Ling Wei	Female	1965	2017.3.30—change of term of office		
Senior management						
President	Xu Li	Male	1967	2017.3.30—change of term of office	√	
Vice President	Shen Xingbao	Male	1958	2017.3.30—change of term of office	√	800,000
Vice President	Li Jin	Male	1963	2017.3.30—change of term of office	√	480,000
Vice President	Jin Jianhua	Male	1965	2017.3.30—change of term of office	√	480,000
Vice President	Wang Jianping	Male	1965	2017.3.30—change of term of office	√	480,000
CIO	Zhou Hengchang	Male	1965	2017.3.30—change of term of office	√	600,000
CRO	Gu Xianbin	Male	1979	2017.10.10—change of term of office	√	96,000

Note3: On 28 Dec., 2017, SRCB conducted open auction for excessive employee shares due to capital transfer to increase shares and closed the equity transfer on 19 Jan., 2018. After transfer, Mr. Shen Xunfang, Mr. Shen Xingbao and Mr. Zhou Hengchang holds 500,000 shares respectively.

Note4: On 18 March, 2018, Shanghai municipal government issued the Notice on the Appointment of Li Jianguo etc. which appointed Li Jianguo as SRCB chairman of the Board of Supervisors and removed Sun Jianping from the post. On the afternoon of 27 April, 2018, SRCB held the 2017 Shareholders' General Meeting which elected Li Jianguo as SRCB chairman of the Board of Supervisors, and the 8th Supervisory Board meeting of the 3rd Board of Directors which elected Li Jianguo as SRCB chairman of the Board of Supervisors.

II. Work Experience of Directors, Supervisors and Senior Management

(I) Members of the Board of Directors

Ji Guangheng, male, was born in September 1968, a full-time graduate student with MSc and on-the-job postgraduate degree with Ph.D. in Economics, a Senior Economist. He is currently the Party Secretary and Chairman of SRCB. He served as a full-time secretary of the Industrial and Commercial Bank of China and Vice President of the head office. He was the Office Director and Party Office Director of ICBC Beijing Branch, President and Party Secretary of ICBC Chang'an Sub-branch, Party Committee member and Vice President of ICBC Beijing Branch, Vice President of SPDB, President and Party Secretary of SPDB Beijing Branch, Vice President and Party Committee Member of SPDB.

Xu Li, male, was born in Dec. 1967, a full-time graduate with a Master's degree in Economics, Senior Economist. Mr Xu is currently the Deputy Party Secretary, Vice Chairman and President of SRCB. He was the former General Manager of the Corporate banking Department of ICBC Shanghai Branch, President and Secretary of the CPC General Branch of the ICBC Shanghai Bund Sub-branch, Assistant President, Deputy Executive President, and Party Committee member of Shanghai Branch, ICBC.

Shen Xunfang, male, born in April 1958, Ph.D. candidate. Mr. Shen is currently the Deputy Party Secretary, Secretary of the Discipline Inspection Commission and Director of SRCB. Mr. Shen was the former Secretary of the Director of the General Office in Shanghai Municipal People's Government, and Deputy Party Secretary and Secretary of the Discipline Inspection Commission of Shanghai Rural Credit Cooperatives Union, SRCB secretary general of Discipline Committee.

Zhou Lei, male, born in July 1978, MBA, economist. He is now Chairman of Shanghai State-owned Assets Operation Co., Ltd., and director of SRCB Board. He was General Manager of Financing Department and Deputy Director of Project Development at SIG Asset Management Co., Ltd.; Vice President, head of Compliance Risk, Deputy Party Secretary and Board Director of Shanghai Aijian Trust Co. Ltd.; Party Committee Member, Vice President and President of Shanghai State-owned Assets Operation Co., Ltd.

ZHAO Ying, male, born in July 1971, is a doctoral student and CFA and director of SRCB Board. He is now the director of Asset Management Centre, CPLIC. He was Deputy Manager of the Transaction Department, Shanghai Xinyu Futures Brokerage Co., Ltd.; investment analyst of Nikko Cordial Securities (Asia); Deputy Manager of Investment Department, GM Assistant, and Jiangsu Branch Manager, Pacific Antai Life Insurance Co., Ltd.; investment director of Haier Life Insurance Co., Ltd., VP and Asset Management Director of Pramerica Fosun Life Insurance Co., Ltd.

WANG Tayu, male, born in October 1970, master's degree, and economist. He is now the GM of SIG's 1st Investment

Management Division, and director of SRCB Board. He used to work at Equipment and Experiment Management Division, Shanghai Mining University; investment director of Business Planning Department, Shekou Industrial Zone; GM assistant of Investment Management Department, Shenzhen Merchant Petrochemical Co., Ltd; Deputy GM and GM of Yueyang Merchant Petrochemical Co., Ltd; GM of Investment Management Department, Shenzhen Merchant Petrochemical Co., Ltd; Deputy GM of Business Planning Department, China Merchant Group; GM of Liaoning Branch, GM of Business Planning Department; Senior manager of Investment Management Department, SIG; GM assistant and deputy GM of Shanghai State-owned Assets Operation Co., Ltd.

Chen Shuai, male, born in March 1974, Master's Degree in Business Administration. Mr. Chen serves as Managing Director of Hony Capital Investment (Tianjin) (LP), General Manager of Shanghai Platform, Executive Vice President of PE Business Management Department, Vice Chairman and non-executive director of Century Ginwa Incorporated Company, Director of Shanghai Municipal Investment Holding Co., Ltd., director of Shanghai Environment Group Co., Ltd., non-executive director of Rongzhong Group Ltd., and Director of SRCB. Mr. Chen previously served as General Manager of Budget Centre and Settlement Centre of Wumart Stores Inc., General Manager of Vendor Management Department of Beijing Jiahe Group, Senior Investment Manager of D'Long International Strategic Investment Company.

Xue Jian, male, born in July 1965, MBA in Finance, Senior Economist. Mr. Xue currently serves as Director and Deputy General Manager of Rizhao Steel Holding Group Co., Ltd., Chairman of Rizhao Steel Co., Ltd., and Director of SRCB. Previously, Mr. Xue worked for the Rolling Plant and Steelmaking Plant of Laiwu Iron & Steel Group Co., Ltd., Laiwu Jinjian Material Co., Ltd. and Laiwu Jinghua Steel Pipe Co., Ltd.

Ha Erman: female, born in June 1975, Master's Degree. She is now Party Committee member and Vice President of Shanghai Guosheng Group, and director of SRCB. She was Director Assistant of Shanghai Xuhui District Foreign Trade and Economic Commission; Deputy Director of Xuhui District Hunan Sub-district Office; Deputy Director of Xuhui District Commission of Commerce; Director of Xuhui District Food Bureau; Deputy Party Secretary, Party Secretary, and Vice Chairman of Shanghai State-owned Assets Operation Co., Ltd.; Party Secretary and Chairman of SIG Asset Management Co., Ltd.

Deng Weili, male, born in September 1964, Ph.D. in Economics. Mr. Deng serves as Secretary of the Party Committee and Chairman of Shanghai State-Owned Assets Operation Co., Ltd., and Director of SRCB. Mr. Deng previously served as a lecturer, Secretary of the General Party Branch of Management Science

Department at Fudan University, Associate Professor of the School of Management at Fudan University, Deputy Director of the HR Department and Director of Talent Introduction Office at Fudan University, Deputy General Manager of Shanghai Tiancheng Venture Co., Ltd., Deputy General Manager, General Manager and Chairman of Shanghai Guoxin Investment Development Co., Ltd., Vice President of Shanghai State-owned Asset Operation Co., Ltd., Vice President, Deputy Party Secretary, Deputy General Manager, and Director of Shanghai State-Owned Assets Operation Co., Ltd., General Manager of Capital Operation Department of Shanghai International Group Co., Ltd.

Wang Kaiguo, male, born in Nov.1958, Doctor of Economics, senior economist. He is now Chairman of Shanghai Zhongping Guoyu Asset Management Co., Ltd., Council Member of Shanghai Stock Exchange, Vice Chairman of Securities Association of China, Vice Chairman of Shanghai Financial Association, and independent director of SRCB Board. He was Deputy Director of State-owned Asset Management Bureau Research Institute; Division Head of the Department of Policies and Laws, State-owned Asset Management Bureau; Vice President, President, Party Secretary and Chairman of Haitong Securities.

Zhu Yuchen, male, born in April 1961, Doctor of Economy, senior economist. He is now CEO of Asia Pacific Exchange, and independent director of SRCB Board. He was Deputy Director of National Food Wholesale Market Manager Office, Ministry of Commerce; Chairman and President of Shanghai CIFCO Futures; President of Dalian Commodities Exchange; Chairman of China Futures Association; President of China Financial Futures Exchange; President of SPDB; Chairman and CEO of Shanghai Zunhong Investment Co., Ltd.; Member of the 10th and 11th National Committee of CPPCC.

Chen Jiwu, male, born in January 1966, Doctor of Finance, Professor, Visiting Professor of Zhejiang University and Xiamen University. He is now Chairman of Vstone Fund Management Co., Ltd., Chairman of Shanghai Vstone Wealth Fund Sale Co., Ltd., Chief Partner, Chairman and President of Vstone, and independent director of SRCB Board. He was Deputy General Manager of Investment Banking Department, Zhejiang International Trust Investment Co., Ltd.; Fund Manager of Nanfang Fund Co.; Investment Director of Fund Investment Department, China Life Fund Operation Center; Investment Director and Vice President of Fullgoal Fund Management Co., Ltd.

Sun Zheng, male, born in December 1957, Doctor of Economics (Accounting), and senior Professor. He is now director of the Academic Committee of Shanghai University of Finance and Economics, independent director of SRCB Board, senior member of Chinese Institute of Certified Public Accountants, senior certified accountant of CPA Australia, FCPA. He is now Vice Chairman of Accounting Society of China; Member of China Accounting Standards Committee under the Ministry of Finance; Member of Discipline Appraisal Group (Business Management), State Council Academic Degree Committee; Deputy Director of MBA Education Guidance Committee, Ministry of Education;

Director of Accounting Education Guidance Committee, Ministry of Education. He is Vice President, and Dean of Business School, Shanghai University of Finance and Economics.

Chen Naiwei, male, born in August 1957, Doctor of Civil and Commercial Law, Professor. He is now Executive President of Advanced Institute of Lawyers, Fudan University; Chairman of Shanghai FTA Intellectual Property Right Association; Vice President of Shanghai Modern Service Industry Federation; Executive Vice Chairman of China Law Association on Science and Technology; Vice Chairman of Shanghai Intellectual Property Institute; Director of Shanghai Soong Qing Ling Foundation; Arbitrator of China International Economic and Trade Arbitration Commission, Shanghai Arbitration Commission, Shanghai International Arbitration Center, International Chamber of Commerce Court of Arbitration, and Court of Arbitration for Sport. Mediator of WIPO Arbitration and Mediation Center, and independent director of SRCB Board. He was director of Law School, and Intellectual Property Research Center, Shanghai Jiaotong University; Vice Chairman of the 8th and 9th Shanghai Lawyers Association; founding and senior partner of Oriental Lawyer and Shanghai Jintiancheng Law Firm, and professor of Law School, Fudan University.

Chen Kai, male, born in November 1970, Doctor of Engineering. He is now Vice Chairman of Eastmoney.com, and independent director of SRCB Board. He was General Manager of second-level department, Vice President, and Deputy Chief Engineer of Shanghai Changjiang Computer (Group) Co., Ltd.; President of Shanghai Changjiang Science and Technology Development Co., Ltd.; Deputy Secretary of Shanghai CPC Youth League; Chairman of Shanghai Youth Federation; President of Shanghai Youth Administration Cadre Institute; Deputy Director of Shanghai Municipal Government Foreign Affairs Office; Secretary General of IBLAC.

Mao Huigang, male, born in August 1972, Master of Law, lawyer. He is Managing Partner of Shanghai Jinmao P.R.C. Lawyers, and independent director of SRCB Board; Member of the Arbitration Commission, All China Lawyers Association; Arbitrator of China International Economic and Trade Arbitration Commission; Member of the law think tank of China Banking Association, and Insurance Asset Management Association of China; Legal Advisor of United Front Department, Shanghai Municipal Party Committee; Arbitrator of Shanghai, Ningbo, Qingdao, Zhuhai, Nanchang Arbitration Commissions; NPC member of Shanghai Huangpu District; Member of Shanghai Huangpu District NPC Law Commission, Committee for Internal and Judicial Affairs; Director of Huangpu Work Commission, Shanghai Lawyers Association.

(II) Supervisors

Sun Jianping, male, born in Feb. 1957, on-the-job postgraduate degree and Ph.D. in Management. Mr. Sun is currently the Chairman of the Board of Supervisors of SRCB, and Chairman of the Board of Supervisors, SPDB. He was previously the Director of

both the Secretariat and Liaison Office of the Shanghai Municipal People's Government, Deputy Director and Party Committee member of the Shanghai Information Office, Mayor of Songjiang District in Shanghai, Secretary of Hongkou District in Shanghai and Secretary of Jing'an District in Shanghai.

Ma Yongjian, male, born in February, 1971, bachelor's degree. He is now Vice Chairman of SRCB Board of Supervisors, and secretary general of SRCB Discipline Committee. He was Party Committee member, Head of Organization Department, and Vice President of Bright Group.

Wu Zhenlai, male, born in September 1950, junior college graduate. Mr. Wu is currently the Chairman of Shanghai Shanxin Real Estate & Development Co., Ltd., and SRCB Supervisor. Mr. Wu previously served as Manager of Shanghai Wenhua Architects.

Zhu Peilan, female, born in Apr. 1975, Bachelor's degree, Senior Accountant. Ms. Zhu is currently the Deputy Minister of the Finance Department of Orient International (Holdings) Co., Ltd., member of the Loan Review Committee of Shanghai Minhang Huayi Microfinance Co., Ltd., and SRCB Supervisor. And she was previously Assistant Supervisor, Supervisor, Assistant Minister and Deputy Head of the Finance Department of Orient International (Holdings) Co., Ltd. and Director of Shanghai Convention & Exhibition Co., Ltd.

Zhang Xilin, male, born in January, 1979, master's degree in economics. He is now Investment Director of Shanghai Life Insurance Co., Ltd., and supervisor of SRCB. He was Manager of Capital Operation Department, Guangzhou Yuexiu Group; Vice GM (in charge) of Department of Real Estate Finance, Shanghai International Trust Co., Ltd.

XU Jingfen, female, born in Mar 1969, bachelor's degree, accredited economist, currently General Manager of SRCB Audit Department, and supervisor of SRCB. She was Deputy Counselor, Incorporated Bank Regulation Department, CBRC Shanghai; Head at GM level, Senior Account Executive and Deputy General Manager, SRCB Audit Department.

Yang Yuanjun, male, born in October, 1966, bachelor's degree, economist. He is now President of Minhang Sub-branch, SRCB, and supervisor of SRCB. He was President Assistant, Vice President and President of Songjiang Sub-branch, SRCB.

Wu Jian, male, born in March 1968, Master's degree, Lawyer. Mr. Wu is currently a Senior Partner at Shanghai Duan & Duan Law Firm, external supervisor of SRCB, Representative of the 14th National People's Congress of Shanghai, Director of the All-China Lawyers Association, Executive Director of the Shanghai BAR Association, Vice Chairman of the Shanghai Foreign-capital Enterprise Consulting Working Committee, Special Supervisor of the Shanghai Municipal Legal Committee, Special Supervisor of the Shanghai High People's Court, Special Supervisor of the Shanghai Public Security Bureau, Guest Professor at East China University of Political Science and Law and University of Communication and Jiaotong University. Mr. Wu previously served as Legal Advisor to McDonald's Co., Ltd. in Asia, Assistant

Economist of the Shanghai Planning Commission Price Bureau, Editor of the East China Commodity Price Newspaper, and independent director of SRCB.

Ling Wei, female, born in February, 1965, bachelor's degree in economy, and senior accountant. She is now deputy chief accountant of Tongji University, director of Finance Department, and external supervisor of SRCB. She was deputy director of Finance Department, Tongji University, representative of Shanghai 13th and 14th National People's Congress. .

(III) Senior Management

Xu Li, (Refer to work experience of Members of the Board of Directors for details).

Shen Xingbao, male, born in August 1958, Master's degree, Senior Political Analyst. Mr. Shen currently serves as Vice President of SRCB. Mr. Shen previously served as Secretary of the Party Leadership Group and Director of the Yangpu Environment Protection Bureau, Secretary of the General Party Branch and General Manager of the Yangpu Management Department of the Bank of Shanghai, General Manager of the Bank of Shanghai's SME Service Centre, Office Manager of the Bank of Shanghai, Deputy Party Secretary and Secretary of the Discipline Inspection Commission of Dazhong Insurance Company Ltd., Deputy Director of the Shanghai Rural Credit Cooperatives Union, and Director of SRCB.

Li Jin, male, born in June 1963, bachelor's degree, Senior Economist. Mr. Li currently serves as Vice President of SRCB. Mr. Li previously served as Chief of the Cooperation Division of CBRC Shanghai Office, Chief of the Supervision Division of a Rural Commercial Bank, Chief of the State-owned Banks Supervision Division, Chief of the Supervision Division of Bank of Communications, and Chief Supervisor of the Bank of Communications (Deputy Inspector).

Jin Jianhua, male, born in January 1965, doctoral candidate and Economist. Mr. Jin currently serves as Vice President of SRCB. Mr. Jin previously served as President of the Bank of Shanghai (Fumin sub-branch), President of the Bank of Shanghai (Waitan Sub-branch), Financial Institution Deputy Chief, Chief (temporary position) of the Shanghai Financial Services Office, and President Assistant of SRCB.

Wang Jianping, male, born in November 1965, Master's degree in Economics. He serves now as Corporate Business Director, SRCB. He previously served as General Manager of Fund Operation Department, Bank of Shanghai, General Manager of Fund Operation Department, Shanghai Rural Credits Cooperative Union, General Manager of Fund Operation Department, President of Pudong Sub-branch, General Manager of Corporate Finance Department, and Director of Corporate Business, SRCB.

Zhou Hengchang, male, born in October 1965, Master's degree in Economics, and Senior Engineer. Mr. Zhou currently serves as Chief Information Officer of SRCB. Mr. Zhou previously

served as Deputy Chief of the Business Applications Division of the Information Technology Department of the Bank of Communications, Assistant General Manager of the Software Development Centre of the Bank of Communications, and General Manager of the Information Management Department of SRCB.

GU Xianbin, male, born in October 1979, bachelor's degree, and MBA. He is CRO of SRCB. He was SRCB Pudong Branch President, Chongming Branch President, HQ Office Director, Corporate Business Director and GM of Corporate Finance Department.

III. Changes in the Board of Directors, Supervisors and Senior Management

Shen Xunfang was elected as SRCB's employee director on the 8th Meeting of the 2nd Congress of Staff and Workers held on 5 March, 2017, and he was directly included into the Board of Directors.

The 1st Ad-hoc Meeting in 2017 was held on 30 March, 2017 which reviewed and approved the proposal on the general election of the Board of Directors. Ji Guangheng, Xu Li were elected as SRCB's executive directors, Nigel Henry Murray Williams, Alistair Marshall Bulloch, Zhou Lei⁵, Wang Weihua, Chen Hangbiao, Chen Shuai, Xue Jian, Ha Erman, and Deng Weili were elected as SRCB's shareholding directors; Wang Kaiguo, Zhu Yuchen, Chen Jiwu, Sun Zheng, Chen Naiwei, Chen Kai, and Mao Huigang were elected as SRCB's independent directors. On the same day, the 1st Meeting of SRCB 3rd Board was held during which Ji Guangheng was elected as SRCB's Chairman, Xu Li was elected as SRCB's Vice Chairman; Ji Guangheng was elected as Chairman of Strategy Committee (Agricultural Finance Service Committee), Alistair Marshall Bulloch, Wang Weihua, Chen Hangbiao, Chen Shuai, Wang Kaiguo and Zhu Yuchen were elected as members of Strategy Committee; Xu Li was elected as Chairman of Risk Management Committee, Nigel Henry Murray Williams, Ha Erman, Deng Weili, and Chen Jiwu were elected as members of Risk Management Committee; Sun Zheng was elected as Chairman of Audit Committee, Zhou Lei, Wang Weihua, Chen Naiwei, and Chen Kai were elected as members of Audit Committee; Wang Kaiguo was elected as the Chairman of Remuneration and Nomination Committee, Shen Xunfang, Chen Shuai, Zhu Yuchen, and Chen Jiwu were elected as members of Remuneration and Nomination Committee; Mao Huigang was elected as the Chairman of Related-party Transaction Control Committee, Sun Zheng and Chen Naiwei were elected as members of Related-party Transaction Control Committee.

Due to work-related reasons, director Wang Weihua and director Chen Hangbiao applied for resignation from the Board in July and November 2017. SRCB held the 2nd Ad-hoc Shareholders Meeting which elected Mr. Zhao Ying and Mr. Wang Tayu as SRCB directors⁶ according to the nomination by China Pacific Life Insurance Co., Ltd., and Shanghai International Group.

Changes in the Board of Supervisors

Xu Jingfen and Yang Yuanjun were elected as SRCB's employee directors on the 8th Meeting of the 2nd Congress of Staffs and Workers held on 5 March, 2017, and they were directly included into the Board of Supervisors.

The 1st Ad-hoc Meeting in 2017 was held on 30 March, 2017 which reviewed and approved the proposal on changing the term of office of the Board of Supervisors. Sun Jianping, Wu Jian, and Ling Wei were elected as SRCB's external supervisors; Wang Yuchun, Wu Zhenlai, and Zhu Peilan were elected as SRCB's shareholding supervisors; On the same day, the 1st Meeting of SRCB 3rd Board of Supervisors was held during which Sun Jianping was elected as the Chairman of Nomination Committee of the Board of Supervisors, of which Wu Jian was elected as a member; Ling Wei was elected as the Chairman of Audit Committee of the Board of Supervisors of which Wang Yuchun, Wu Zhenlai, Zhu Peilan, Xu Jingfen and Yang Yuanjun were elected as members.

Due to equity transfer, Wang Yuchun, the supervisor nominated by Greenland Holding Group was no longer SRCB's supervisor. 2016 Shareholders Meeting was held on 24 May, 2017 which elected Ms. Xie Na nominated by Lanhai Holding (Group) Co., Ltd. as SRCB's supervisor.

A Congress of Staff and Workers Meeting was held on 2 Sept., 2017 during which Ma Yongjian was elected as SRCB's employee supervisor and was directly included into the Board of Supervisors. On 4 Sept., 2017, Ma Yongjian was elected as the Vice Chairman of SRCB's 3rd Board of Supervisors and member of Nomination Committee; Xie Na was elected as member of Audit Committee.

In December 2017, Ms. Xie Na resigned from the post of SRCB's supervisor due to work reason. SRCB held the 2nd Ad-hoc Shareholders Meeting on 15 Dec., 2017 and elected Mr. Zhang Xilin nominated by Lanhai Holding (Group) Co., Ltd. as SRCB's supervisor.

Changes in Senior Management

The Company held the 1st Meeting of the 3rd Board on 30 March, 2017 which appointed Mr. Xu Li as President of the Bank; Shen Xingbao, Li Jin, Jin Jianhua, Shi Meiliang and Wang Jianping as vice presidents of the Bank; Mr. Shi Meiliang was appointed Secretary of the Board of Directors; and Mr. Ye Guorong was appointed CRO of the Bank.

In July 2017, due to personal reasons, Mr. Shi Meiliang applied to resign from the posts of President and Board Secretary.

The 6th Meeting of the 3rd Board held on 10 Oct., 2017 appointed Mr. Gu Xianbin as SRCB's CRO⁷ while Ye Guorong was no longer CRO since he was eligible for retirement.

Note5: The director qualification of Zhao Ying and Wang Tayu was approved by regulators and effective on 13 Feb., 2018.

Note6: The director qualification of Zhao Ying and Wang Tayu was approved by regulators and effective on 13 Feb., 2018.

Note7: Mr. Gu Xianbin's qualification as Senior Management was approved by regulators and effective on 8 Dec., 2017.

IV. Annual Salary and Incentive

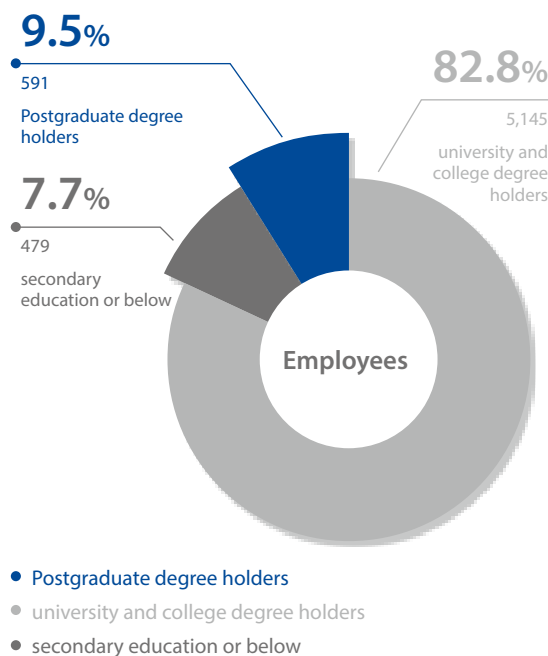
The Bank provides compensation for shareholding directors and independent directors under the provisions of "Duties and Salaries of Directors and Supervisors" in the Administrative Measures for Directors and the Performance Assessment Methods for Directors and Supervisors. The responsibilities, professional knowledge, time invested and average allowance of listed financial companies are also taken into account in determining remuneration. The remuneration for shareholding supervisors and external supervisors refers to that for shareholding directors and independent directors.

The salary of directors and supervisors includes annual allowance and post allowance for serving on committees, and meeting subsidy. Annual remuneration for independent directors and external supervisors is RMB 300,000 before tax. Allowance for serving on committees under the Board of Directors and Board of Supervisors is RMB 60,000 before tax for chairman and RMB 40,000 for committee members before tax. Meeting subsidy for the Board of Directors and Board of Supervisors is RMB 40,000 before tax. No annual remuneration and post allowance for serving on commodities for shareholding directors and shareholding supervisors. The salary standards above were reviewed and approved during the General Shareholders' Meeting.

The salary paid to directors, supervisors and Senior Management is subject to performance evaluation. During the reporting period, the salaries and benefits paid to directors, supervisors and Senior Management totaled RMB 5,969,400 after tax.

V. Employee Conditions

As of the end of the reporting period, the Company has 6,215 employees, including: 1,138 managers and 5,077 staff. There are 591 postgraduate degree holders, accounting for 9.5%; 5,145 university and Bachelor degree holders, accounting for 82.8%. The remaining 479 had secondary education or below, accounting for 7.7%.



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Corporate Governance Structure

Corporate Governance

Performance of Duties of Independent Director and External Supervisors

Independence of the Bank in Assets, Staff, Finance, Organization, Business relative to Controlling Shareholders

Decision-making System of the Bank

Senior Management Assessment and Incentive

Organizational Chart



I. Corporate Governance

During the reporting period, in compliance with the Corporate Law of the People's Republic of China, Commercial Bank Law, and Guidelines on Corporate Governance of Commercial Bank and other relevant regulations, the Bank further optimized corporate governance structure and regulated the operation mechanism of "three boards and one management" to ensure that the decision-making, execution and supervisory units perform their duties with due diligence within their respective authorities to ensure sustainable development of the Company, protect the rights and interests of financial consumers and other related interest parties, generate returns for shareholders, and create value for the society.

(I) About Shareholders and Shareholders' Meeting

During the reporting period, the Company held the 2017 1st Ad-hoc Shareholders' Meeting, 2016 Shareholders' Meeting and 2017 2nd Ad-hoc Shareholders' Meeting, at which 12 resolutions were approved and 4 proposals were listened to. The procedure of announcement, organization, convention and voting procedure of the Shareholders' Meeting were aligned with the Corporate Law, Articles of Association and other relevant regulations, and Jun He Law Offices (Shanghai Branch) issued a legal opinion letter. Opinions and recommendations of shareholders were provided and listened to at the Shareholders' Meeting to guarantee shareholders' right to know, right of participation and right to vote for the purpose of creating a fair environment for shareholders to fully participate in decision-making, and equality exercise their rights.

(II) The Company and its Shareholders

The equity setting and arrangement of the Bank complies with relevant banking supervisory rules and regulations. None of the top five shareholders of the Bank has detoured the Shareholders' Meeting, directly or indirectly, to interfere with business activities and decision-making of the Bank. The Bank and the top five shareholders operate completely independently in personnel, assets, finance, organizations and businesses. The Company's Board of Directors, Supervisors, and internal institutions are operated independently.

(III) Directors, Board of Directors, Special Committees and Board Secretary

By end of the reporting period, the 3rd Board of Directors is consisted of 17 directors, including 2 executive directors, 1 employee director, 7 shareholder directors and 7 independent directors. The number and the composition of the Board of Directors were in conformity with relevant laws and regulations, and Articles of Association.

During the reporting period, all directors diligently fulfilled their responsibilities and contributed their efforts and time in formulating the Bank's strategic plan, improving strategic system, implementing the strategy, formulating annual financial budget and profit distribution scheme, improving comprehensive risk management, internal control, supervising effective performance of senior management, ensuring the authenticity, completeness and accuracy of financial statements, and deepening evaluation and assessment, which steadily enhanced the Bank's performance, management level and market influence. Meanwhile, the Board and Board directors pushed the implementation of many strategic work such as converting capital reserve to increase shares, revising Articles of Association, selecting IPO auditor, adjusting internal organizational structure, formulating internal audit regulation, and studying the debt restructuring of difficult rural banks, and made significant contribution in ensuring the Bank's compliant and prudent operation, protecting the legitimate rights and interests of the Bank, shareholders, depositors and other stakeholders.

There are 7 special committees under the Board, including the Strategy Committee, Risk Management Committee, Consumer Rights and Interests Protection Committee, Audit Committee, Remuneration and Nomination Committee, and the Related Party Transactions Control Committee. During the reporting period, the special committees held 15 meetings, and reviewed or listened to 56 proposals. All committee members, under the organization of the committee chairmen, fulfilled their roles and responsibilities, carefully studied meeting agendas, raised constructive opinion and suggestions, supervised the execution of Board resolutions, and assisted the Board in effective performance fulfillment and scientific decision-making.

Board Secretary is now vacant.

(IV) Supervisors, the Board of Supervisors and Special Committees

The 2nd Board of Supervisors is consisted of 9 supervisors, including 1 Chairman of the Supervisory Board, 3 shareholder supervisors, 3 employee supervisors (one of which is the Vice Chairman of the Board of Supervisors), and 2 external supervisors. The number and the composition of the Board of Supervisors were in conformity with relevant rules and the Articles of Association. During the reporting period, all supervisors performed their duties and actively participated in and attended all meetings and activities, and raised independent viewpoints. Their level of performance of duties met regulatory requirements, making positive contributions to the scientific development and establishment of a modern corporate system.

According to law, regulations and the Articles of Association, the Board of Supervisors diligently fulfilled its obligations. First, completed general election, strengthened team building and improved performance. Second, organized Supervisory Board meetings, attended or participated in shareholders' meeting

and Board meetings to fulfill its supervision responsibility. Third, conducted supervision, evaluation and post-assessment to improve the pertinence and effectiveness of supervision. Fourth, made special investigations to promote the Bank's sustainable and sound development. During the reporting period, the Bank held 6 Board of Supervisors meetings, reviewed 19 proposals and listened to 1 report. The Board of Supervisors is consisted of 2 special committees, which held 7 meetings and approved 8 proposals in total.

(V) Senior Management and Special Committees

Senior Management consists of 1 President, 4 Vice Presidents, 1 Chief Information Officer and 1 Chief Risk Officer. During the reporting period, the Senior Management of the Company followed the Board's strategic decisions, centered on the annual strategic focuses, performed corresponding duties conscientiously, organized and promoted various operation and management works, adhered to profit-orientation, continuously improved the market shares and profitability and comprehensively completed the management tasks confirmed by the Board of Directors.

The Senior Management established a group decision-making mechanism for major issues, which is consisted of 14 special committees, including Asset and Liability Management Committee, Business Continuity Management Committee, Corporate Finance Business Committee, Retail Finance Business Committee, Financial Market Business Committee, Credit Approval Business Committee, Risk Assets Resolution Committee, Consumer Rights and Interests Protection Committee, Information Technology Management Committee, Internal Control and Risk Management Committee, Physical Asset and Centralized Purchase Committee, Financial Review Committee, Fee Income Business Promotion Committee and Product Service Review Committee. The special committees regularly/irregularly reviewed and voted on related issues.

During the reporting period, the Senior Management upgraded the "Product Service Review Committee" under Internal Control and Risk Management Committee from level-II committee to level-I committee.

(VI) Information Disclosure and Transparency

Strictly in accordance with Measures for the Information Disclosure of Commercial Banks, Articles of Association and SRCB Regulations on Information Disclosure, the Bank disclosed all material information in a credible, timely, and accurate manner to ensure that all shareholders receive information in a fair and timely manner.

During the reporting period, the Bank completed 2 disclosures of periodic reports, namely the 2016 Annual Report and the 2016 Annual Social Responsibility Report. The Board of Directors carefully prepared the periodic reports, confirmed the financial data and took final responsibility for the authenticity, completeness and accuracy of the financial reports.

During the reporting period, the company has disclosed interim reports for 4 times, namely 2016 Annual Shareholder Meeting Announcement, 2016 Announcement on Converting Capital Reserve to Increase Shares, and announcements on 2017 1st Ad-hoc Shareholders' Meeting and 2nd Ad-hoc Shareholders' Meeting.

II. Performance of Duties of Independent Directors and External Supervisors

(I) Performance of Duties of Independent Directors

The 3rd Board of Directors is consisted of 7 independent directors, who are reputable in their respective fields of economy, audit, investment banking and law. Among the 7 special committees of the Board of Directors, 3 chairmen were independent directors, and in 3 special committees the number of independent directors accounted for more than half of the number of committee members. During the reporting period, the independent directors fulfilled their obligations with responsibility, integrity and diligence, actively attended the Board of Directors' meeting and made significant contribution in strengthening the Board's decision-making, implementing the Bank's strategy and transformation, improving risk control and management capability, stimulating the Bank's power to innovate, and protecting legitimate rights and interests of the Bank and shareholders..

1. Attendance of Independent Directors at Board Meetings

During the reporting period, the 3rd Board of Directors held 8 meetings and all independent directors personally attended the meeting with the exception of 4 directors who authorized others to vote on their behalf. Independent Directors at the Board meetings actively contributed and provided many valuable comments and suggestions.

2. Objection from Independent Directors on Issues Related with the Company

During the reporting period, independent directors did not bring up any objection on proposals of the Board meetings or on other issues.

(II) Performance of Duties of External Supervisors

The 2nd Board of Supervisors had 3 external supervisors (one of which is the Chairman of the Board of Supervisors). During the reporting period, external supervisors actively participated in the meetings. The external supervisors actively provided independent opinions at the meetings, and were responsible for all shareholders; fulfilled obligations with integrity and diligence, protected the interests of the Bank and the legal interests of stakeholders, and played an active role in fulfilling the supervisory duties of the Board of Supervisors. The chairmen of the 2 special committees of the Board of Supervisors were all assumed by external supervisors.

III. Independence of the Bank in Assets, Staff, Finance, Organization, and Business relative to Controlling Shareholders

The Bank does not have any controlling shareholder. The Bank and its large shareholders are completely independent in five aspects including business, staff, asset, organization and finance. The Bank has independent and complete business and independent operation capabilities. The Board of Directors, the Board of Supervisors and the internal organizations operate independently.

IV. The Company's Decision-making System

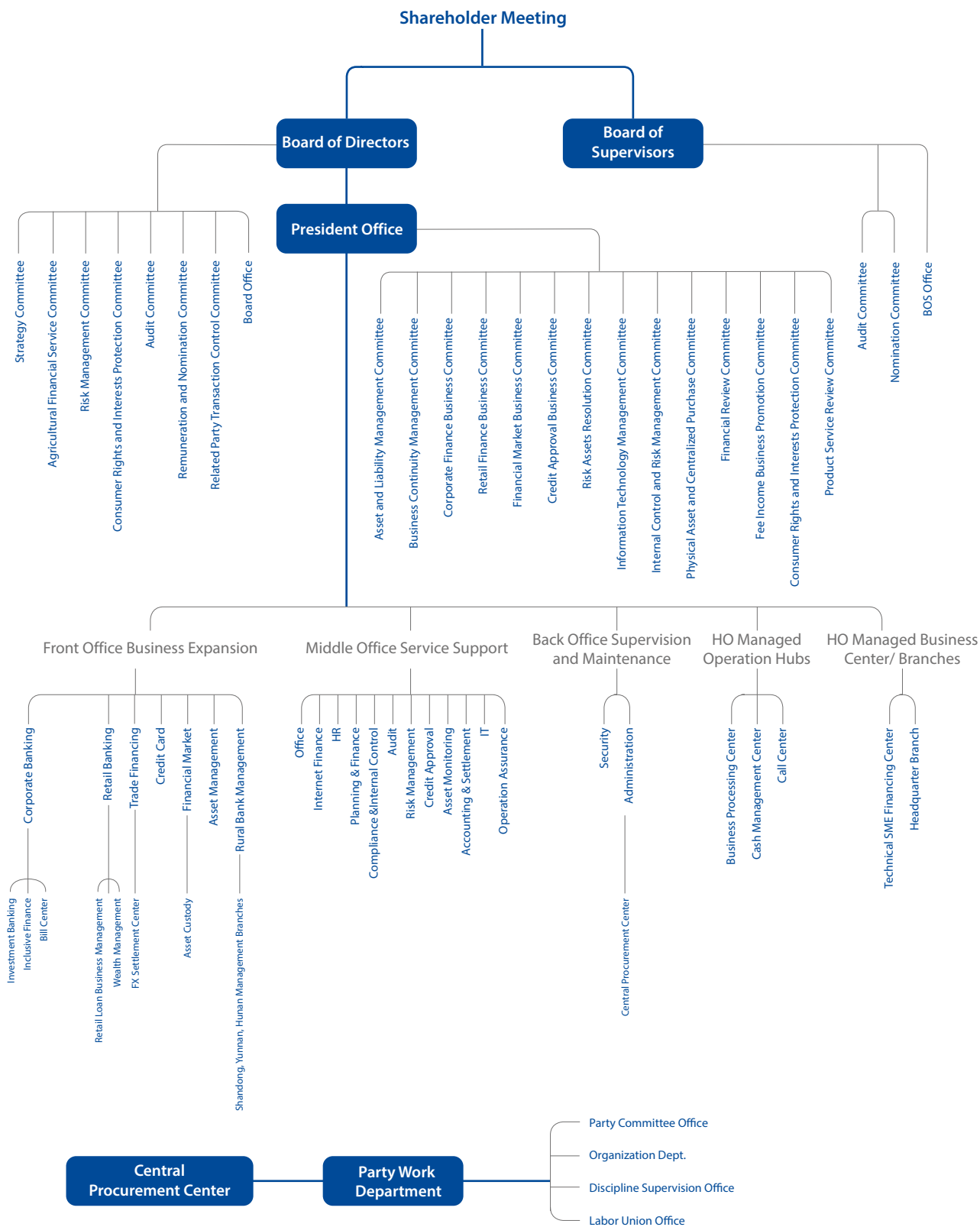
The Shareholders' Meeting is the highest institution of authority for the Company and assumes responsibility of making decisions on important matters. As a decision-making body of the Bank, the Board of Directors plays a central role in decision-making and reviewing. The Board of Supervisors is the body which undertakes the roles of supervisor and evaluator. The President, who is appointed by the Board of Directors, represents the Senior Management and is responsible for all business management and implementation of the resolutions made by the Board of Directors under the authorization of the Board of Directors, and accepts the supervision of the Board of Supervisors. The Bank implemented a system of "a single corporate body, unified business accounting, classified management, and authorized operation". The branches are non-independent accounting units whose businesses and management activities are based on the authorization of Head Office and are responsible for the Head Office.

V. Senior Management Assessment and Incentive

The Board of Directors authorized the Remuneration and Nomination Committee to evaluate the performance of executive directors and employee directors in 2015, assess the operation, profit and risk control of the senior management, and issue assessment opinion. The Proposal on 2016 Annual Performance Evaluation of Executive Directors, Employee Directors and Senior Management was reviewed and approved on the 2017 3rd Ad-hoc Meeting of the 2nd Board of Directors. The Board of Supervisors issues an assessment report on the performance of Senior Management each year.

The Company deferred payment of remuneration for managers above middle class and personnel in key positions during the reporting period.

VI. Company's Organizational Chart



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Introduction to Annual General Shareholders' Meeting

Annual General Shareholders' Meeting

Interim Shareholders' Meeting



I. Annual Shareholders' Meeting

On 24 May, 2017, the Bank's 2016 Annual Shareholders' Meeting was held at No.8 Middle Yincheng Rd, Shanghai. 79 shareholders and representatives attended the meeting, representing 3.76 billion shares, accounting for 75.21% of the Bank's total equity, of which 3.515 billion shares (70.31% of total equity) have voting right. Certain members of the Board of Directors, the Board of Supervisors and non-directors from Senior Management attended the Meeting.

This meeting reviewed and approved the "Proposal on SRCB Board of Directors 2016 Annual Work Report", "Proposal on SRCB Board of Supervisors 2016 Annual Work Report", "Proposal on SRCB 2016 Financial Performance Report and 2017 Financial Budget Plan", "Proposal on SRCB 2016 Profit Distribution Plan and Plan of Converting Capital Reserve to Increase Share Capital", "Proposal on Adjusting the Compensation of SRCB External Directors and Supervisors", and "Proposal on Nominating Ms. XIE Na as Member of SRCB Board of Supervisor". The meeting listened to "Proposal on SRCB 2016 Financial Statement and Audit Report", "Proposal on SRCB 2016 Director Performance Review", "Proposal on SRCB 2016 Related Party Transaction Report", and "Report on the Implementation of Shanghai CBRC Opinions and SRCB Rectification Measures".

The Annual Meeting of Shareholders was witnessed by Jun He Law Firm (Shanghai Branch), who prepared letter of legal opinions holding that the convening, holding of the annual general meeting, eligibility of the participants, and voting procedures were all compliant with the Company Law of the People's Republic of China and the Articles of Association of the Bank. All resolutions approved at the Shareholders' Meeting were legal and effective.

II. Ad-hoc Shareholders' Meeting

On 30 March, 2017, the Bank's 2017 1st Ad-hoc Shareholders' Meeting was held at No.8 Middle Yincheng Rd, Shanghai. 74 shareholders and representatives attended the meeting, representing 3.697 billion shares, accounting for 73.93% of the Bank's total equity. Certain members of the Board of Directors, the Board of Supervisors and non-directors from Senior Management attended the Meeting.

This meeting reviewed and approved the "Proposal on SRCB Board General Election", and "Proposal on SRCB Board of Supervisors General Election".

On 15 Dec., 2017, the Bank's 2017 2nd Shareholders' Meeting was held at No.8 Middle Yincheng Rd, Shanghai. 71 shareholders and representatives attended the meeting, representing 5.561 billion shares, accounting for 69.51% of the Bank's total equity, of which 5.209 billion shares (65.11% of total equity) have voting right. Certain members of the Board of Directors, the Board of Supervisors and non-directors from Senior Management attended the Meeting.

This meeting reviewed and approved the "Proposal on Amending SRCB Articles of Association", "Proposal on Nominating Mr. Zhao Ying as SRCB Director of the Board", "Proposal on Nominating Mr. Wang Tayu as SRCB Director of the Board", and "Proposal on Nominating Mr. Zhang Xilin as SRCB Supervisor".

The Annual Meeting of Shareholders was witnessed by Jun He Law Firm (Shanghai Branch), who prepared letter of legal opinions holding that the convening, holding of the annual general meeting, eligibility of the participants, and voting procedures were all compliant with the Company Law of the People's Republic of China and the Articles of Association of the Bank. All resolutions approved at the Shareholders' Meeting were legal and effective.



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Report of the Board of Directors

Profit Distribution Proposal

Progress of Implementing Resolutions of Annual General Meeting by the Board of Directors

Key Equity Investments (Controlling and Participative)

External Equity Investment

Use of Raised Funds

Audit Report

Routine Work of the Board of Directors

Corporate Social Responsibility



I. The Company's Profit Distribution Plan

1.The Company has prepared the profit distribution plan in accordance with the audited financial statements. According to the standard clean opinion audit report produced by Deloitte & Touche Tohmatsu CPAs Co., Ltd., during the reporting period, the Company achieved net profits of RMB 6,585,533,416.33, undistributed profits from previous years were RMB 10,831,391,116.59, and this year's distributable profits were RMB 17,416,924,532.92. The Company's profit distribution plan for 2017 was as follows:

(1)Statutory surplus reserve of RMB 658,553,341.63 and discretionary surplus reserve of RMB 1,589,753,771.59 were accrued from profits after tax as reported in the 2016 statutory financial statements.

(2)General reserve of RMB 860,833,475.40 was accrued to ensure that the balance of general reserves shall remain at the level of 1.5% of the previous year-end risk-and-loss-bearing assets balance of SRCB.

(3)Based on the Bank's total common shares of 8 billion on 31 Dec 2017, the cash dividend of the common shares was RMB 1.6 yuan (tax included) per 10 shares, totaling at RMB 1,280,000,000.00 (tax included).

The undistributed profits remained after the above distributions shall be carried over to the next year.

The profit distribution scheme was implemented after review by the Company's 2017 Shareholders' Meeting.

II. Progress in Implementing Resolutions from the Shareholder's Meeting

The Company's 2016 profit distribution plan and proposal of converting capital reserve to increase shares were approved during the 2016 Shareholders' Meeting, namely "distribute cash dividend of RMB 2.3 per 10 shares (tax included) based on a total of 5,000,000,000 shares. Total distributed cash dividend was RMB 1,150,000,000 (tax included); increase 6 shares per original 10 shares, and in total number of shares was increased by 3,000,000,000 due to the conversion. All shareholders recorded on the registration date of 27 June, 2017 will receive the distribution, and the right and dividend exclusion date is 28 June,2017. A public announcement was displayed on the Bank's website. The distribution plan has been duly implemented.

III. Key Equity Holding Companies and Equity Investing Companies

Unit: RMB 1000 Yuan

Equity investing companies	Holding ratio	Total investment as of end of the reporting period
Chongming Shanghai Rural Commercial Bank Co., Ltd.	48.45%	51,000
Jinan Huaiyin Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Changqing Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Ningyang Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Dongping Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Linqing Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Liaocheng SRCB Rural Bank Holding Co., Ltd.	51%	25,500
Chiping Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Yanggu Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Rizhao Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Tai'an Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Ningxiang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	51,000
Shuangfeng Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Lianyuan Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Liling Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Shimen Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500

Equity investing companies	Holding ratio	Total investment as of end of the reporting period	
Cili Shanghai Rural Commercial Rural Bank Co., Ltd.	51%		25,500
Lixian Shanghai Rural Commercial Rural Bank Co., Ltd.	51%		25,500
Linli Shanghai Rural Commercial Rural Bank Co., Ltd.	51%		25,500
Yongxing Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Guiyang Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Hengyang Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Changsha Shanghai Rural Commercial Bank Co., Ltd.	51%		51,000
Ruili Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Kaiyuan Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Baoshan Longyang Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Mengzi Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Gejiu Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Jianshui Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Linchang Linxiang Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Mi'le Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Songming Shanghai Rural Commercial Bank Co., Ltd.	51%		25,500
Kunming Shanghai Rural Commercial Bank Co., Ltd.	51%		51,000
Shenzhen Guangming Shanghai Rural Commercial Bank Co., Ltd.	41.65%		83,300
Beijing Fangshan Shanghai Rural Commercial Bank Co., Ltd.	51%		51,000
China UnionPay Co., Ltd.	0.24%		5,500
Rural Credit Banking Capital Settlement Center	5.76%		6,000
Shanghai Jingyi Industrial Development Co., Ltd.	18.874%		18,321
Yangtze River United Finance & Leasing Co., Ltd.	40%		800,000

IV. External Equity Investment

None.

V. Issuance of Tier-II Capital Bonds

During the reporting period, on 7 March, 2017, the Company issued the first phase of tier-II capital bonds in 2017 on national interbank bond market, raising RMB 4 billion, which was a 10-year bond with a fixed nominal interest rate at 4.7% that the issuer had conditional redemption right at the end of the 5th year.

During the reporting period, on 15 August, 2017, the Company issued the second phase of tier-II capital bonds in 2017 on national interbank bond market, raising RMB 3 billion, which was a 10-year bond with a fixed nominal interest rate at 4.8% that the issuer had conditional redemption right at the end of the 5th year.

VI. Usage of Raised Funds by the Company

During the reporting period, the Company successfully issued by tender the first and second phase of tier-II capital bonds in 2017 on national interbank bond market, raising RMB 7 billion, which was mainly used to supplement tier-II capital, strengthen operation, improve anti-risk capability, and support the sustainable and sound business development.

VII. Audit Report

During the reporting period, the Company hired Deloitte & Touche Tohmatsu CPAs to audit its financial statements (including the balance sheet ended on December 31, 2017, Income Statement, Cash Flow Statement, Statement of Changes in Equity, and financial statements notes) for the year 2017 according to Accounting Standards for Enterprises.

VIII. Daily Work of the Board of Directors

(I) Board Meetings

During the reporting period, the Company convened 12 board meetings, reviewed or listened to 93 proposals.



1. On 3 January, 2017, the Company convened the 2017 First Ad-hoc Meeting of the 2nd Board. The meeting reviewed and approved the "Proposal for the Bank's Waiver of the Right of First Refusal regarding the Transfer of Shares Held by ANZ in the Bank and its Provision of Undertakings to ANZ".

2. On 24 January, 2017, the Company convened the 31st Meeting of the 2nd Board. The meeting reviewed and approved the "Proposal on SRCB 2016 Performance and 2017 Work Plan", "Proposal on SRCB Board 2016 Work Report and 2017 Work Plan", "Proposal on SRCB 2016 Director Performance Review Report", "Proposal on Amending SRCB Director Performance Evaluation Measures", "Proposal on SRCB 2017 Stress Test Scheme", "Proposal on SRCB 2017 Branch & Network Development Plan", "Proposal on Continuing to Appoint Deloitte as Auditing Agency for SRCB 2017 Annual Financial Statement and IPO", "Proposal on SRCB 2016 Corporate Governance Self-Assessment Report", "Proposal on SRCB 2016 Self-assessment Report of Comprehensive Risk Management", and "Proposal on SRCB 2016 Self-assessment Report of Compliance Risk Management". The meeting listened to the "Report on SRCB 2016 External Donation Report", "Report on SRCB 2016 Consumer Rights Protection", and "Report on SRCB 2016 Share Pledge and Share Transfer Report".

3. On 20 February, 2017, the Company convened the 2nd Ad-hoc Meeting of the 2nd Board in 2017. The meeting reviewed and approved the "Proposal on Appointing Mr. Wang Jianpin as Vice

President of SRCB", "Proposal on Appointing Mr. Ye Guorong as CRO of SRCB", and "Proposal on Upgrading SRCB Asset Management Department to HQ First-tier Department".

4. On 10 March, 2017, the Company convened the 3rd Ad-hoc Meeting of the 2nd Board in 2017. The Meeting reviewed and approved the "Proposal on Recommending SRCB 3rd Board Nominees to the Shareholder Meeting", "Proposal on 2016 Annual Performance Review on Internal Directors and Senior Executives", and "Proposal on Holding SRCB 2017 1st Ad-hoc Shareholder Meeting".

5. On 30 March, 2017, the Company convened the 1st Meeting of the 3rd Board. The Meeting reviewed and approved "Proposal on Electing the Chairman and Vice Chairman of SRCB 3rd Board", "Proposal on Appointing the President of SRCB", "Proposal on Appointing the Vice President of SRCB", "Proposal on Appointing the Board Secretary of SRCB", "Proposal on Appointing CRO of SRCB", "Proposal on Appointing the Head of Audit Department", "Proposal on Appointing Heads of Finance Department, Risk Management Department and Compliance & Internal Control Department", "Proposal on Responsibilities and Members of Special Committees of SRCB 3rd Board", "Proposal on Adjusting Remuneration of SRCB Shareholding Directors and Independent Directors", "Proposal on SRCB Board Letter of Authorization", "Proposal on SRCB 2016 Financial Statement and Audit Report", "Proposal on Formulating SRCB 2017-2019 Development Strategy", "Proposal on SRCB 2016 Financial Performance Report and 2017 Financial Budget Plan", "Proposal on SRCB 2016 Profit Distribution Plan", "Proposal on SRCB 2016 Annual Report", "Proposal on Formulating SRCB 2017 Risk Appetite Strategy", "Proposal on Share Transfer from Greenland Holding Group Co., Ltd. to Lanhai Holding (Group) Co., Ltd.", and "Proposal on Holding SRCB 2016 Annual General Meeting". The meeting listened to the "Proposal on SRCB 2016 Internal Control and Risk Management Report", "Proposal on SRCB 2016 Related Party Transaction Report", "Proposal on SRCB 2016 Loan Waiver/Reduction Report", "Proposal on SRCB 2016 Internal Audit Report", "Proposal on Self-Assessment Report of SRCB 2016 Fraud Prevention Work".

6. On 4 May, 2017, the Company convened the 2nd Meeting of the 3rd Board. The Meeting reviewed and approved the "Proposal on Adjusting Issues Related with SRCB 2016 Shareholders' Meeting", "Proposal on SRCB's Plan of Converting Capital Reserve to Increase Share Capital", "Proposal on Approving Rizhao Steel Holding Group Co., Ltd.'s Pledge of SRCB Shares", "Proposal on Adjusting the Trigger Value and Target of 2017 Risk Appetite Strategy", "Proposal on Donating Accident Insurance to Famers and Herdsmen of Five Counties in Shigatse City, Tibet", and "Proposal on Implementing Shanghai CBRC's Requirement on Resolving the Risks of SRCB's Rural Banks".

7. On 14 July, 2017, the Company convened the 3rd Meeting of the 3rd Board. The Meeting reviewed and approved the "Proposal on Approving Lanhai Holding (Group) Co., Ltd.'s Pledge of SRCB Shares".

8. On 25 July, 2017, the Company convened the 4th Meeting of the 3rd Board. The Meeting reviewed and approved the "Proposal on SRCB 2017 1H Business Performance and 2017 2H Work Plan", "Proposal on Formulating SRCB 2017-2019 Capital Management Strategy", "Proposal on Formulating SRCB 2017-2019 Risk Management Strategy", "Proposal on Formulating SRCB 2017-2019 IT Management Strategy", "Proposal on Establishing the Consumer Rights and Interests Protection Committee under the Board", "Proposal on Formulating (Amending) Working Rules of Special Committees of the Board", "Proposal on Amending SRCB Administrative Measures on Related Party Transactions", "Proposal on Related Party Credit to China Pacific Insurance Co. Ltd.", "Proposal on Related Party Credit to Guosheng Group", "Proposal on Related Party Credit to Shanghai State-owned Assets Operation Co., Ltd.", "Proposal on Related Party Credit to Shanghai International Group", "Proposal on Related Party Credit to Yangtze United Financial Leasing Co., Ltd.", "Proposal on Formulating SRCB Internal Audit Charter", "Proposal on Nominating Mr. ZHAO Ying as SRCB Director Candidate", "Proposal on Disposing Non-performing Assets of Shandong Rural Bank", and "Proposal on Waiving Related Expenses for Rural Banks". The meeting listened to the "SRCB 2016 1H Financial Performance Report", "Report on the Implementation of Shanghai CBRC Opinions in 2016 and SRCB Rectification Measures", and "Report on the Implementation of Shanghai CBRC's Requirement on Resolving the Risks of SRCB's Rural Banks and Rectification Progress".

9. On 14 September, 2017, the Company convened the 5th Meeting of the 3rd Board. The Meeting reviewed and approved the "Proposal on Amending SRCB Articles of Association", "Proposal on Amending SRCB Equity Management Measures", "Proposal on Share Transfer from Shenzhen Lenovo Science & Technology Park Co., Ltd. to Shenzhen Dasheng Agriculture Group Co., Ltd.", "Proposal on Listing Transfer of SRCB Shares Held by Trade Union Committee (direct under SRCB) and Excessive Shares Held by Employees", "Proposal on Adjusting the NPL Restructuring Program for 5 Shandong Rural Banks in Difficulty", and "Proposal on Disposing the HQ Office Building at No. 8 Middle Yincheng Road".

10. On 10 October, 2017, the Company convened the 6th Meeting of the 3rd Board. The Meeting reviewed and approved the "Proposal on Share Transfer from ANZ to China COSCO Shipping Corporation Ltd. and BAOSteel", "Proposal on Amending Performance Evaluation and Compensation Scheme for SRCB Leaders Besides the Legal Representative", "Proposal on Performance Evaluation Result of SRCB Leaders Besides the Legal Representative", and "Proposal on Appointing Mr. GU Xianbin as SRCB Chief Risk Officer".

11. On 28 November, 2017, the Company convened the 7th Meeting of the 3rd Board. The Meeting reviewed and approved the "Proposal on Amending SRCB Compliance Policies", "Proposal on Formulating SRCB Administrative Measures on Legal Counsel Work", "Proposal on Amending SRCB Administrative Measures of Liquidity Risk Management", "Proposal on Nominating Mr. WANG Tayu as SRCB Director Candidate", "Proposal on the Integrating

Plan of HQ Branch, Binjiang Sub-branch and Changning Sub-branch", "Proposal on SRCB 2017 Write-off of Bad Debt and Disposal of Foreclosed Assets", "Proposal on the Capital Supplement Plan of 3 Shandong Rural Banks", "Proposal on the Application of 2017 Donation to Rural Area", and "Proposal on Holding 2017 SRCB 2nd Ad-hoc Shareholders' Meeting". The meeting listened to the "The Special Audit Report on SRCB Consolidated Financial Statement Management", "Report on Shanghai CBRC's Regulatory Opinion on Resolving the Risk of SRCB Rural Banks", and "Report on the Schedule of 2018 Board Meetings".

12. On 27 December, 2017, the Company convened the 8th Meeting of the 3rd Board. The Meeting reviewed and approved the "Proposal on Approving Rizhao Steel Holding Group Co., Ltd.'s Pledge of SRCB Shares".

(II) Performance of Duties of the Board of Directors

During the reporting period, led by the spirit of the 19th CPC National Congress, under the support and guidance of supervising authorities, regulators and shareholders, the Board faithfully fulfilled the responsibilities stipulated in Corporate Law, other laws and regulations, and the Articles of Association, strictly executed the resolutions of Shareholders' Meeting, strengthened strategic management and overall corporate governance, improved risk management, incentive and restrictions, which had effectively enhanced scientific decision-making and promoted transformative development.

Smoothly Completed General Election of the Board to Further Improve Corporate Governance

Smoothly completed general election of the Board. The Board strengthened communication and coordination with regulators, and shareholders according to laws, regulations and Articles of Association, and elected members for the 3rd Board on the 1st Ad-hoc Shareholders' Meeting in 2017. The election of Senior Management and organization of special committees under the Board were completed after the establishment of the new Board.

Improved structure of special committees under the Board. Newly established the Agricultural Financial Service Committee and Consumer Rights and Interests Protection Committee and their working rules following regulatory requirements. Revised the Board's strategy, and the working rules of 5 special committees of risk management, audit, remuneration and nomination, and related-party transaction control to further clarify different roles and responsibilities. Established secretary team for special committees and the working rules to better assist special committees in their work.

Strengthened corporate governance system. Integrated Party leadership with improving corporate governance by including Party building work in the Articles of Association and further clarifying the legal position of Party organization in the corporate governance structure. Besides, the Board added

innovation fault tolerance and full-time supervisor etc. into the Articles of Association according to the requirements of supervising authority and regulators as well as the Company's actual situation; formulated authorization letter of the Board, internal audit regulation, and measures of legal counsel work; revised equity management measures, director evaluation and assessment measures, related-party transaction management rules, compliance policies, liquidity risk management measures and other rules and systems to continuously enhance corporate governance structure and improve corporate governance mechanism.

Strengthened Strategic Management and Operation to Continuously Promote Development

Formulated the new development strategy. The new Board carefully studies domestic financial situation and the trend of financial regulation, developed the Bank's new development blueprint, reviewed and approved the 2017-2019 strategic development plan which made clear the Bank's guiding philosophy, targets, and strategic initiatives for mid-and-long-term development, namely centering on "independent IPO, upgrading traditional businesses, developing emerging businesses, transforming management, and driving by talent", stick to steady operation, accelerate business transformation, usher in a new chapter in reform and development, and try to be a listed public bank with local root and efficient services, as well as a bellwether of national rural commercial banks. Under the general strategic framework, the Bank reviewed and approved 2017-2019 risk management strategy, capital management strategy and IT strategy to further improve the strategic system.

Managed the Bank with an overall perspective. The Board reviewed and approved annual and mid-year business performance, financial budget draft and budget execution report, annual financial statement, discussed and set reasonable annual performance target based on the overall situation of the Bank's operation and financial budget, further clarified the guiding philosophy of annual work as well as key work for each business line. Regularly listened to the Management's work report, focused on the execution of business plan and major decision-making, deepened reform in key areas and stages, supervised the Management to execute key annual works, and ensured that the strategic intentions were effectively implemented.

Strengthened capital management to ensure capital adequacy. The Board formulated the Bank's 2017-2019 capital management strategy, and continuously focused on the situation and trend of the Bank's capital adequacy. Promoted the issuance of the 1st and 2nd phase of tier-II capital bonds in 2017 which raised RMB 4 billion and 3 billion respectively, completed the 10 billion issuance plan set by the Board to further strengthen the Bank's capital strength. Reviewed and approved the proposal of converting capital reserve to increase shares which raised the Company's registered capital from RMB 5 billion to RMB 8 billion, and laid a solid foundation for the Company's long-term valuation and development. Planned the issue of capital and

share increase to ensure that the Company has enough capital to support the implementation of its strategies.

Strengthened Group management. Focused on the operation risk and asset quality, listened to report on the implementation of rural banks' risk resolution and rectification plan, reminded the Management to strengthen control and management of rural banks, systematically considered risk resolution of three provinces, formulated risk resolution scheme, explored effective and scientific ways of management to separate risks. Listened to special audit report on Group consolidated statement management, required the Management to further strengthen consolidated statement management system, capital management and risk management at the Group's level, and supported business development with IT.

Enhanced Comprehensive Risk Management and Internal Control, Stick to Compliant Operation.

Strengthened risk and asset quality management. The Board formulated the Bank's 2017-2019 risk management strategy, reviewed proposals on annual risk appetite, stress test schemes, revision of liquidity management measures, debt restructuring scheme of rural banks, annual NPL write-off and disposal of foreclosed assets, followed the execution of risk appetite and change of risk indicators, regularly listened to reports on internal control, risk management and stress test, required the Senior Management to be strict with NPL accountability, increase economic penalty to responsible person, and balance between business development, compliance and risk control.

Strengthened vertical audit management and supervision to improve internal control system. The Board reviewed and approved the Bank's internal control charter, regularly listened to internal audit work report and external audit report, focused on the implementation of audit suggestions to play the role of internal audit in supervision, check and evaluation. Reviewed and approved the Bank's compliance policy, regularly listened to self-evaluation reports on compliance risk and fraud-prevention, attached importance to anti-money laundering management, improved accountability system for internal control and fraud prevention, and insisted on compliant operation.

Strictly controlled transaction risk by strengthening related-party transaction supervision and management. The Board followed the regulatory requirements on rectification, revised related-party transaction management rules, further strengthened the approval and review of major related-party transactions, and regularly updated and confirmed list of related parties. Meanwhile, regularly evaluated the status of related-party transactions, listened to annual related-party transactions report, special audit report on related-party transactions and internal transaction management, reviewed proposal on major related-party party credit transactions; independent directors raised professional comments and made prudent decisions in controlling the investment risk of related-party transactions and safeguarding shareholders' rights and interests.

All Directors Diligently Fulfilled Obligations with Integrity and Standardized Corporate Governance

In 2017, The Board completed general election, and the work was completed with the joint effort of the 2nd and 3rd Board. The Board strictly followed rules and regulations, and all directors diligently fulfilled their obligations. The Board organized 3 shareholders' meetings which reviewed or listened to 16 proposals; organized 12 Board meetings which reviewed or listened to 93 proposals, covering the new three-year strategic plan, three sub-strategies in capital, risk management and IT, annual business plan, financial budget and profit distribution plan, converting capital reserve to increase shares, improving comprehensive risk management, selecting directors and Senior Management, reviewing major related-party credit transactions, major equity transfer, selection of external audit firms, adjusting internal organizational structure, NPL write-off, disposal of Headquarters building, implementing debt restructuring of rural banks, comprehensive risk management and corporate governance etc. The Board followed and executed resolutions of shareholders' meetings, received supervision by the Board of Supervisors, regularly followed up and pushed the implementation of Board resolutions and opinions of directors and supervisors, asked the Management to timely report the progress of strategy execution, regularly analyzed latest business performance, risk management and the implementation of major issues, which deepened directors' understanding of the Bank's business performance so as to play directors' role of think tank.

Maintained Investor Relations and Improved Information Disclosure

Actively promoted equity transfer between large shareholders, urged Senior Management to strengthen communication with regulators and shareholder companies, implemented regulatory requirements, and strictly reviewed shareholders' qualifications. In 2017, the Board reviewed and approved the proposals on equity transfer related with large shareholders including Greenland Group, Lenovo Scientific and Technological Park, and ANZ, as well as labor union shares, and excessive employee shares to ensure stable equity structure before IPO.

The Board of Directors took the standards of listed banks in strictly controlling the quality of information disclosure to ensure the objectivity, authenticity, completeness and accuracy of regular reports and social responsibility reports; disclosed 2 regular reports and 4 ad-hoc announcements in 2017. In 2017, the Bank's social responsibility report won the "Best Social Responsibility Report" award issued by 21st Century Business Herald, and the level of information disclosure and social influence further improved.

(III) Duty Performance of Special Committees under the Board of Directors

During the reporting period, special committees under the company's Board of Directors diligently performed their duties, organized 15 meetings which reviewed and listened to 56 proposals. Each special committee fulfilled their roles and responsibilities by carefully studying meeting agendas, raising constructive opinions and suggestions, supervising the execution of Board resolutions and assisted the Board in effective performance.

The Strategy Committee focused on the senior management's execution of the Bank's development strategies, reviewed 2017-2019 capital management strategy and IT strategy, continuously strengthened strategy management capability to ensure proper implementation of the strategic targets.

The Risk Management Committee reviewed 2017-2019 risk management strategy, formulated stress test plans and regularly listened to test reports, continuously followed up on the execution of risk appetite, regularly assessed internal control and risk

management status, strengthened internal control and fraud prevention, supervised the improvement of regulatory data quality, strictly implemented NPL write-off and disposal of foreclosed assets, studied debt restructuring plan for rural banks to guard the bottom line of risk management.

The Audit Committee completed contract continuance with external audit firm, promoted annual external audit, formulated internal audit charter, raised higher requirements on audit structure, process and methods, and promoted transformation of internal audit functions. The Remuneration and Nomination Committee recommended members for the new Board, carefully reviewed the qualifications of directors and Senior Management, implemented steady remuneration management, studied evaluation and salary distribution mechanism for Senior Management, and completed evaluation of directors and Senior Management.

The Related-party Transaction Control Committee strengthened related-party transaction system, timely updated list of related parties, implemented approval and documentation rules for related-party transaction and Internal transaction, and regularly reported the status of related-party transactions; independent directors actively fulfilled their duties, investigated rural banks in Yunnan and Shandong, raised policy suggestions on strengthening management of invested companies, and continuously improved the Bank's operation and management.

IX. Social responsibility

The Company upholds innovation-driven development and transformation, meanwhile assumes responsibilities in the fields of economic development, social progress and environmental protection, etc. and makes great effort to create value for shareholders, customers, employees and the society.

The Company lifted social responsibility management to a strategic level, and made it clear in the 2017-2019 Strategic Development Plan to benchmark against listed companies, fulfilled social responsibilities, and make efforts to integrate social value, shareholder value, employee value and customer value.

Served Real Economy and Supported the Development of Scientific and Technological Innovation Center

During the reporting period, the Company increased credit support to the real economy to promote local economic and social development, facilitate industrial transformation, improve people's livelihood, and fulfilled the responsibility of providing financial services to key areas related with national economy and people's livelihood.

The Company signed strategic cooperation agreements with district governments in Qingpu, Changning and Songjiang in 2017, and provided financial support to key area, projects and companies. The Company insisted on serving social development with financial services, focused on improving people's livelihood by actively participating in projects related with people's livelihood such as affordable housing, and urban infrastructure projects. In 2017, while the scale of credit was shrinking, the Company prioritized credit support to affordable housing projects while meeting the Bank's credit requirements on property industry and quota requirement for property industry, and gave certain preferential loan interest rate compared with commercial property loans. During the reporting period, the Company provided RMB 9.22 billion credit support to over 10 urban county projects in Hongqi Village in Putuo District; Greenland and Zhonglin Village, Sanlin Town, Pudong District, Kangjia Village in Miaohang Town, Yanghang Town, Changzhong Village in Dachang Town in Baoshan District; Hongxing Village in Huacao Town, Xingnan Group in Meilong Town, Minhang District; urban village in Zhujing Town,

Jinshan District; and urban village in Chedun Town, Songjiang District.

Actively participated in the building of Shanghai scientific and technological innovation center by centering on Zhangjiang Independent Innovation Demonstration Zone, Yangpu Mass Innovation and Entrepreneurship and Innovation Base, and Xuhui Mass Innovation and Entrepreneurship and Innovation Base, supporting major scientific and technological infrastructure building and transformation of scientific and technological results, promoting major strategic projects, basic cutting-edge projects and innovative function platform, strengthening product innovation and mechanism reform, exploring combined debt-equity investment mode such as "loan+ share option", improving specialized scientific finance product portfolio of "Xinke Loan", strengthening small and medium scientific and technological enterprises that have proprietary IPR and core technologies. By end of 2017, accumulative number of scientific and technological corporate customers was 1,572 with a loan balance exceeding RMB 20.8 billion. The Bank won "2017 Shanghai Banking Industry Scientific and Technological Financial Service Award" issued by Shanghai Banking Association, and "2017 Shanghai Excellent Bank in Scientific and Technological Financial Service" issued by Shanghai Scientific and Technological Committee.

Actively Practiced Inclusive Finance and Served Agriculture and SMEs

The Company always practiced inclusive finance without forgetting the founding mission of serving agriculture. By end of the reporting period, the Company's agriculture-related loan balance was RMB 64.751 billion, up by RMB 7.4 billion than year-beginning. The Company strengthened innovation in agriculture-related products. In 1H 2017, brand pledge performance guarantee loan was introduced for Shanghai's new agricultural entities which broke through the bottleneck of traditional financing model and played the value of the intangible assets of agricultural brands, which was a higher level in agricultural financial services. During the reporting period, actively promoted strategic cooperation with Shanghai Municipal Agricultural Committee in providing RMB 30 billion agricultural credit fund to be used for the development of beautiful countryside, special towns and rural complex, and the balance of disbursed loan reached RMB 7 billion. Meanwhile, the Company actively promoted the establishment of Shanghai Modern Agricultural Industry Development Guidance Fund to facilitate investment institutions and social capital into Shanghai's modern agriculture. The Company continued to cultivate new agricultural entities such as farmers' cooperative, and leading agricultural enterprise, and formed the "broad agricultural" financial service system which consists of production, logistics and consumption.

Financial service products and service models. By end of the reporting period, SME loan balance was RMB 126.852 billion, up by RMB 14.876 billion than 2016 year-end, a growth of 13.28%; number of accounts was 10,395, and loan approval rate was 98.6%, completing the regulatory indicators on SME loans, namely "the growth of SME loans should not below the average growth of other loans, number of SME loan accounts and SME loan approval rate should not below the level of same period last year". The Company strengthened innovation in SME financial products and services by introducing SME revolving loan business which provides quality SME customers with 1 to 3 years of credit line at a flexible withdraw and repayment method through "one stop" approval process and saves financing cost.

Served Community Residents and Benefited Customers with Mobile Finance

During the reporting period, the Company deepened the development of community banks by centering on customers, innovating and serving residents and SMEs in the community. At the end of reporting period, there were 261 community banks. Meanwhile, the Company actively explored new community banks by completing the development of Sunqiao Sub-branch in Pudong District and Aibo Jiayuan Sub-branch in Minhang District which further improved functions and arrangement, integrated resources and enhanced customer experience. The Company strengthened team building of community financial

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volunteers. In 2017, there were 1,479 community financial volunteers who were the bridge between community residents and the Bank. The Community actively conducted community public education by setting up consultation stands, organizing financial lectures and wealth management salons, participating in public welfare activities, and inviting customers to experience new businesses at the outlet to integrate and give back to communities and practice our social responsibility. In 2017, 1730 community public education activities were organized which involved 7,000 employees and over 50,000 participants.

During the reporting period, the Company actively developed mobile finance by upgrading mobile banking and building mobile Internet platform from six aspects including "expanding business functions, renewing page design, enriching life service, upgrading security, automatically test compatibility and analyze data mining". Improved WeChat banking, provided e-bill to protect the environment, improved shopping experience, strengthened security control, facilitated the purchase of wealth management products, raised requests for better serving merchants in the WeChat banking community, and explored new business model to serve surrounding physical merchants relying on outlets. At the end of reporting period, there were 604,900 WeChat banking customers, number of total transactions was 670,500 with a transaction amount at RMB 73.77 million.



Cared for Employees' Career Development, Physical and Mental Health

The Company attached great importance to staff's career development needs by improving staff's career planning and pathways, expanding internal communication channel, improving internal recruitment mechanism, promoting internal talent exchange so as to provide staffs with good space for growth and improvement. Combined department recommendation with 9 dimensions of talent selection to select core talents and gradually form a talent team and system with multiple dimensions and levels including "medium, senior, division level, advanced and core talents". Enhanced internal recruitment mechanism to provide staffs with good space for growth and improvement, used recommendation or public competitive recruitment etc. to select and promote leaders. Introduced assessment tools as a reference for competitive recruitment interview so as to understand the candidates from more dimensions for more scientific appointment. Organized assessment and recruitment of professional series to provide a stage for professional talents. Introduced and cultivated talents for emerging businesses such as financial market, and asset management etc.



The Company cared about staffs' physical and psychological health, replaced the filters of air cleaners for all outlets; organized "five star cafeteria" and top 10 chefs evaluation to improve cafeteria's service quality and improve staff satisfaction, and youth exchange activities with other financial institutions; completed insurance purchase and claim of family property insurance for staffs; continued with comfort work to retired staffs and retired staffs over 90 years old, and promoted grass root labor union to improve care for retired staffs. Completed the building of 18 benchmark Staff Home at branch and sub-branch level. Expanded the coverage of House of Moms to make it a warm stop for female employees by opening 41 House of Moms in 2017. Organized Donation Day which involved nearly 3000 employees with a raised amount of RMB 0.91 million; visited 250 staff in difficulty or disabled and offered RMB 1.1 million as consolation.

Active in Social Welfare and Contributed to Society

During the reporting period, the Company actively involved in public welfare, and continued to donate RMB 5 million to Chongming county with an accumulative amount of RMB 25 million from 2013 for assisting the Innovation Park in Fusheng Economic Development Zone in Chongming. The Company donated RMB 2 million to buy accident insurance for farmers in five counties of Shigatse, Tibet; donated RMB 0.3 million to set up the "SRCB Special Fund for Poor Children with ectopocystis"; donated RMB 0.2 million to "Parent School" public welfare project of Shanghai Children's Hospital; donated RMB



0.12 million to Cihui Nursery; started new round of assistance work with Hexing Village of Chongming County, and Tangwai County of Fengxian District. In 2017, RMB 85.093 million was donated to 20 public welfare projects.

In 2017, according to the initiative by the Labor Union Committee of Shanghai Greening Bureau, the Company set up "love stop" for sanitation workers at 385 SRCB outlets to provide a place for sanitation workers to rest and drink water, offered preferential loan policies to sanitation workers, and offered assistance to greening bureaus or sanitation bureaus during high-temperature days.



Actively Promoted Green Credit and Supported the Development of Ecological Environment

During the reporting period, the Company, based on national policy of green credit, specified in the credit policy that "develop green credit, implement differentiated credit policies, dynamically evaluate and effectively control customers' (projects) environmental and social risks, and include key customers (projects) with material environmental and safety violations in terms of energy-saving, water-saving, emission reduction, environmental protection and safety etc. into monitoring list". Meanwhile, prioritized credit support to modern agriculture, strategic emerging industries, upgrading and transformation of traditional advantageous manufacturing industries, and modern service industry that meet supply-side reform; stopped incremental credit support to industries with "high pollution, high energy consumption, high emission and over-capacity".



The Company signed Shanghai MOU of RMB 50 Billion Green Financing with "Right to Earnings from Energy Conservation and Emission Reduction" with Shanghai Commission of Economy and Information Technology to provide RMB 5 billion line of credit during the "13th five-year plan" period and started to develop financial products related with green, low-carbon and circular economy. By end of the reporting period, the Company reached cooperation intention with Shanghai SME Policy Financing and Guarantee Fund Administration Center on Shanghai Distributed PV Power "Solar Loan", and reached signing intention with Shanghai Energy Conservation and Environmental Protection Service Industry Association on Proposal on Financing Guarantee for Shanghai's Energy Conservation, Environmental Protection and Other Green Projects as well as "Soil Restoration Industry Alliance". The Company vigorously advocated green operation, promoted paperless office and electronic journals to reduce the printing and distribution of paper files; made full use of video conferencing equipments to effectively reduce conference costs and carbon emission; called on our employees to contribute with energy conservation and emission reduction by reusing office supplies to a greater extent; built a low-carbon bank, expanded green service channels by splitting counter transactions into different channels such as online banking, self-service machines, mobile banking, and WeChat banking, etc. By the end of the reporting period, the percentage of electronic banking business was 52%, including online banking, telephone banking, self-service machines, mobile banking and other electronic banking channels.

(For full text, see the SRCB's 2017 Annual Corporate Social Responsibility Report)

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Board of Supervisors Report

Performance of the Board of Supervisors

Board of Supervisors' Independent Opinions on Specific Items



I. Work of the Board of Supervisors within the Reporting Period

(I) Meetings of the Board of Supervisors

6 Supervisory Board meetings were held annually which reviewed and approved 19 agendas, listened to 1 report, submitted 33 documents to supervisory authorities and regulators. Supervisors carefully participated in meetings of the Supervisory Board and raised their opinions and points.

1. The 27th Meeting of the 2nd Board of Supervisors was held on 28 Feb., 2017, which reviewed and approved the "Proposal on SRCB General Election of the Board of Supervisors".

2. The 1st Meeting of the 3rd Board of Supervisors was held on 30 March, 2017, which reviewed and approved the "Proposal on Electing Chairman for SRCB 3rd Board of Supervisors", "Proposal on Appointing SRCB Supervisory Board Secretary", "Proposal on Members of Special Committees under SRCB 3rd Board of Supervisors", and "Proposal on Chairmen of Special Committees under SRCB 3rd Board of Supervisors".

3. The 2nd Meeting of the 3rd Board of Supervisors was held on 13 April, 2017, which reviewed and approved the "Proposal on SRCB 2016 Directors' Performance Evaluation", "Proposal on SRCB Board of Supervisors 2016 Annual Work Report", "Proposal on SRCB 2016 Annual Work Supervision Assessment Report", "Proposal on Working Rules of SRCB Board of Supervisors", "Proposal on SRCB 2016 Annual Audit Report", "Proposal on SRCB 2016 Annual Report" and "Proposal on Adjusting Remuneration of SRCB Shareholding Directors and External Supervisors".

4. The 3rd Meeting of the 3rd Board of Supervisors was held on 4 May, 2017, which reviewed and approved the "Proposal on Nominating SRCB Shareholding Supervisor Candidates".

5. The 4th Meeting of the 3rd Board of Supervisors was held on 4 Sept., 2017, which reviewed and approved the "Proposal on Electing Vice Chairman of SRCB 3rd Board of Supervisors", "Proposal on Nominating Ma Yongjian as Member of Supervisory Board Nomination Committee", "Proposal on Nominating Xie Na as Member of Supervisory Board Audit Committee", and listened to "SRCB 2017 1H Internal Audit Work Report".

6. The 5th Meeting of the 3rd Board of Supervisors was held on 28 Nov., 2017, which reviewed and approved the "Proposal on Nominating Mr. Zhang Xilin as SRCB Supervisor Candidate", "Proposal on SRCB's Implementation of Shanghai CBRC's Rectification Opinion Evaluation Report", and "Proposal on Revising SRCB Compliance Policies".

(II) Attendance at the Shareholders' General Meeting

SRCB supervisors attended the meeting of shareholders.

(III) Attendance at the Board of Directors Meetings

During the reporting period, the supervisors attended the 31st meeting of the 2nd Board, the 3rd Ad-hoc meeting in 2017, and the 1st, 2nd, 4th, 5th, 6th and 7th meetings of the 3rd Board of Directors.

(IV) Legal Supervision on Duty Performance of the Board of Directors, Directors and Senior Management

1. Strengthened compliance supervision and organized evaluation of the implementing of regulatory rectification opinions

The Board of Supervisors attached great importance to the rectification opinion raised by Shanghai CBRC and organized the post-rectification evaluation. The Board of Supervisors analyzed the regulatory opinion and rectification list from 2012 to 2016, interviewed related leaders and main departments, held 2 special investigation meetings to listen to work report and raised suggestions to the rectification work.

The Board of Supervisors believed that the annual regulatory opinion raised by Shanghai CBRC was very pertinent, professional and instructional, SRCB Board of Directors and Senior Management could accurately understand the regulatory opinion, carefully

implemented rectification opinions and made certain achievements. Out of the 125 items to be rectified according to regulators in recent 5 years, 94 had been completed, accounting for 75%; 31 were not completed yet, accounting for 25%. Out of the uncompleted items, 22 were raised by regulators in recent 2 years and were under schedule. Meanwhile, the Board of Supervisors suggested the Bank to deeply follow the spirit of the 19th CPC National Congress and National Financial Working Meeting, strengthen organization and leadership, improve working mechanism, hold responsible person accountable, include into performance evaluation, promote coordination, and further improve corporate governance and pushing.

2. Strengthened supervision of risk management and fraud prevention

Faced with increasing financial risk during economic downturn, the Board of Supervisors held 3 meetings to strengthen supervision of risk management and fraud prevention.

First, listened to liquidity risk management report. The Board of Supervisors required the Bank to improve the measurement and evaluation of liquidity risk indicators, attach importance to new businesses' impact on liquidity risk, orderly organize liquidity risk stress test and contingency drill, and further improve the Bank's liquidity risk management.

Second, listened to anti-money laundering work report. The Board of Supervisors required the Bank to further understand the importance of anti-money laundering work, strengthen mechanisms and systems, learn from advanced practices from other banks, strengthen IT system, improve monitoring modes, take effective measures to refine existing management systems, process, and methods.

Third, interviewed Pudong Branch, FTZ Branch, Nanhui Branch, Binjiang Branch, and Zhangjiang Science and Technology Sub-branch on fraud prevention. The Board of Supervisors listened to reports on fraud prevention work, and the opinions and suggestions of grass root employees on fraud prevention work. The Board of Supervisors emphasized that in order to improve fraud prevention, staffs should be the main subject to participate and implement related requirements in their daily work; besides, cultural building was also important, and the fraud prevention concepts, awareness and responsibility should be embedded into corporate culture and become common code of conduct for all leaders and staffs.

3. Strengthened supervision of internal audit

The Board of Supervisors attached great importance to internal audit and organized special meetings to listen to the Bank's internal audit work in 2016 and work plan in 2017. The Board of Supervisors raised several requirements on audit work: further strengthen audit and timely report of important issues found during audit and rectification progress to the Board of

Supervisors; timely identify and solve problems at early stage so as to better prevent serious problems; pay attention to the application of audit result to enhance development capability via effective rectification mechanism; strengthen audit team by training and management to improve auditors' professionalism and work efficiency; further enhance IT system to improve capability of off-site audit data analysis and application.

4. Strengthen financial supervision

The Board of Supervisors held 2 meetings to listen to reports on the bank's financial management structure, control system, annual financial budget execution, and financial work plan. The Board of Supervisors require the Head Office to benchmark against listed banks to further improve comprehensive budget management, strengthen financial work process, clear roles and responsibilities between departments in the formulation, execution and supervision of financial rules and systems, strengthen systematic management to ensure controlled operation. The Board of Supervisors reviewed the Bank's 2016 audit report and annual report.

The Board of Supervisors held communication meeting with external auditor to listen to reports from Deloitte Touche Tohmatsu on the Bank's recent 3-year annual report audit, management suggestions, and rectification progress. The Board of Supervisors raised several requirements on external audit: combine external audit with international rules, national policies and the Bank's development needs, focus more on fundamental, systematic, overall and perspective issues, and provide suggestions following the standards of listed companies; emphasize more on systems, mechanisms, and business management in the audit evaluation suggestions, add "issues reminding the Board of Supervisors" in the audit report which will facilitate the Board of Supervisors to improve work in a closed loop.

5. Investigated branches and sub-branches, and supervised the service to real economy

In 2017, the Board of Supervisors made 12 visits to Changning, Huangpu, Jinshan, Qingpu and other sub-branches for investigation, listened to work reports on business performance, compliance, internal control, risk management, fraud prevention and Party building. The Board of Supervisors raised several requirements: deeply follow the spirit of the 19th CPC National Congress and National Financial Working Meeting, and follow the policy requirements of "return to the founding mission, optimize structure, strengthen supervision and be market-oriented", continue to serve real economy, strengthen interaction with regional economy, and accelerate innovative development; actively adapt to strict regulations, carefully follow regulatory requirements, improve risk management level; strengthen Party building, and gradually optimize customer structure and income structure by improving team and capability structure.

6. Focused on rural banks

In recent 2 years, the Board of Supervisors made field investigation to rural banks in Hunan, Yunnan, and Shandong provinces and interviewed with chairmen and presidents of these rural banks. After the investigation, the Board of Supervisors believed that to develop rural banks, the carrier for SRCB to practice inclusive finance and social responsibility, four relationships must be handled properly, namely the relationship between rural banks and initiating bank, local governments, market, and internal personnel. The Board of Supervisors also communicated with HQ leaders.

7. Organized annual supervision evaluation

According to regulations and the Bank's Articles of Association, the Board of Supervisors carried out 2016 annual supervision and evaluation work. First, comprehensive and independent supervision and evaluation on the Bank's implementation of major government decisions, requirements of supervisory authority and financial regulators, operation management and financial innovation, and opinions of audit department, issuing SRCB 2016 Annual Work Supervision Evaluation Report. Second, supervision and evaluation of the performance of Board of Directors, directors and Senior Management in 2016, and issued report, which was submitted to the shareholders' meeting, supervisory authorities and financial regulators.

II. Board of Supervisors' Independent Opinions on Related Issues

(I) Legal Operation of the Bank

Within the reporting period, the Company operated according to laws and regulations with standardized and steady business development, carried out all businesses in an orderly manner, gradually improved asset quality, continuously strengthened risk management and internal control, and significantly improved operation achievements; the Bank's decision-making mechanism was scientific with legal process, and corporate governance was further improved; there was no violation of laws, regulations and rules and no conduct that harms the interests of shareholders in the duty performance of directors and other senior management.

(II) Authenticity of the Financial Statement

Within the reporting period, the Company's financial statements authentically and objectively reflected its financial conditions and operational outcomes. The financial statements this year was audited by Deloitte & Touche CPAs who issued a standard clean auditing report.

(III) Related-party Transactions

Within the reporting period, the Company's related-party transactions were fair and reasonable with no harm to the interests of shareholders or the Company.

(IV) Internal Control System

Within the reporting period, the Company continuously strengthened the construction of its internal control system and further improved integrity, rationality and effectiveness of the internal control system.

(V) Implementation of Resolutions of the Shareholders' Meeting

Within the reporting period, SRCB supervisors attended the meetings of Board of Directors and the Shareholders' Meeting without, and had no objection to the reports and proposals submitted by the Board of Directors to the Shareholders' Meeting for review.

Within the reporting period, the SRCB Board of Supervisors monitored the implementation of resolutions of Shareholders' Meeting and considered that the SRCB Board of Directors could earnestly implement relative resolutions.

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Significant Events

Names of Top Ten Shareholders and Their Share Changes within the Reporting Period

Significant Litigation or Arbitration

Increase, Decrease, Division and Combination of the Registered Capital

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Change in Company Name within Reporting Period



I. Names of Top 10 Shareholders and Changes within the Reporting Period

During the reporting period, Greenland Holding Group Co., Ltd., the Bank's former 9th largest shareholder, transferred all its holding of 200 million SRCB shares (accounting for 4% of the Bank's total shares before conversion of capital reserve to increase shares) to Lanhai Holding (Group) Co., Ltd., which was reviewed and approved by the Board meeting held on 30 March, 2017, and the equity transfer was processed according to relevant regulations. After the equity transfer, Lanhai Holding (Group) Co., Ltd. became the Bank's 8th largest shareholder, holding 210 million SRCB shares (4.2% of the Bank's total shares).

Australia and New Zealand Banking Group Ltd. ("ANZ"), the Bank's former largest single shareholder transferred its holding of 1.6 billion SRCB shares to China Cosco Shipping Corporation Ltd. and BaoSteel Co., Ltd. with 0.8 billion shares respectively, which was reviewed and approved by the Board meeting held on 10 October, 2017, and the equity transfer was processed according to relevant regulations. After the equity transfer, China Cosco Shipping Corporation Ltd. and BaoSteel Co., Ltd. became the Bank's largest shareholders with equal equity. Shanghai Shanxin Real Estate & Development Co., Ltd., the Bank's former 10th largest shareholder became the 11th largest shareholder.

(Please refer to "Top 10 Shareholders and Change")

II. Major Litigation or Arbitration

(I) Non-credit Litigation or Arbitration

Within the reporting period, SRCB had 8 non-credit cases in total (including the cases in which SRCB was the defendant or respondent) with an amount of about RMB 4 million involved. As compared to 2016, there was an increase of 2 cases, and the amount involved increased by RMB 3.72 million.

(II) Credit Litigation or Arbitration

By the end of the reporting period, SRCB had 266 loan litigation cases closed in 2017. The amount involved for these cases was RMB 1,322,743,700. Within the reporting period, RMB 942,570,400 was recovered through litigation for the above cases.

By the end of the reporting period, SRCB had 739 outstanding loan litigation cases in 2017. The amount involved for these cases was RMB 4,697,312,200. Within the reporting period, RMB 820,800,000 was recovered through litigation for the above-mentioned loans.

See the table below for the top 10 outstanding litigation cases for 2017 (arranged according to amount involved in the litigation)

Unit: RMB 10,000 Yuan

No.	Borrower	Guarantor	Commencement Date	Delinquency Date	Object of Litigation	Loans Recovered through Litigation	Litigation Date
1	Shanghai Yungfeng Group.	Shanghai Yunfeng (Group) Jinghong Economic Development Co., Ltd.	20130408	20151119	14000	0.00	20151222
2	Remai (Shanghai) Medical Device Co., Ltd.	—	20110416	20150520	10000	0.00	20150520
3	Shanghai Tongtian Steel Material Co. Ltd.	—	20040629	20160918	7000.00	7000	20160918
4	5 enterprises, including Shanghai Sanmin Building Materials Development Co., Ltd. (combining with the case concerning steel trade enterprises)	Weng Jinwen, Xu Fengyuan, Lin Fengping	20110503	20130426	6850.00	2000	20130701
5	Shanghai Solar New Energy Technology Co., Ltd.	---	20101122	20150619	6500.00	0.00	20150619
6	Shanghai Yungfeng Group.	Shanghai Yunfeng (Group) Jinghong Economic Development Co., Ltd.	20130408	20160113	6000	0.00	20160202

No.	Borrower	Guarantor	Commencement Date	Delinquency Date	Object of Litigation	Loans Recovered through Litigation	Litigation Date
7	Jianxin Property Development Co. Ltd.	---	20110701	20160120	5773	0.00	20160126
8	Changshu Wanji International Import-Export Trade Co., Ltd.	LU Haiyu, Jiangsu Changshu Yulong Group Co., Ltd.	20120425	20151121	5667.07	0.00	20160422
9	Minmetals Shanghai Pudong Trade Co., Ltd.	China Minmetals Corporation	20141212	20170321	5000	0.00	20170619
10	Minmetals Shanghai Pudong Trade Co., Ltd.	China Minmetals Corporation	20141212	20170308	5000	0.00	20170619

III. The Increase or Reduction of Registered Capital, Division and Merger

During the reporting period, with the review and approval by 2016 Shareholders' Meeting, the Company converted reserve fund to increase shares. Increase 6 shares per original 10 shares based on 5 billion total share capital. As a result, total share increased by 3 billion shares, or RMB 3 billion. And the total shares after conversion was 8 billion shares.

IV. Related-party Transactions

By the end of the reporting period, related-party transactions of the Company were all related-party credit. Balance of related-party credit was RMB 694,139,100, accounting for 1.05% of the company's net capital. Wherein, the balance of related legal person credit extension was RMB 524,455,200 with 5 clients involved. Balance of related natural person credit extension was RMB 169,683,900 with 68 clients involved. Related credit extension was made in forms of loan, import letter of credit, bank notes etc., which were classified as normal in five-category, without delinquency, advance payment or overdue interest.

The balance of SRCB's related-party transactions with the largest related company, Shanghai Guosheng (Group) Co., Ltd., was RMB 205,450,500, accounting for 0.31% of SRCB's net capital, which did not exceed the regulated level of 10%. The balance of SRCB's related-party transaction with "the Group owning the related party", Shanghai Guosheng (Group) Co., Ltd., was RMB 205,450,500, accounting for 0.31% of SRCB's net capital, which did not exceed the regulated level of 15%. The total amount of related-party transactions with all related parties was RMB 694,139,100, accounting for 1.05% of SRCB's net capital, which did not exceed the regulated level of 50%. All the ratios above were aligned with related regulations of Related-party Transaction Management Measure between Commercial Banks and Insiders/Shareholders, and SRCB Related-party Transaction Management Measures.

Unit: RMB 10,000 Yuan

Customer name	Credit balance	Five-category classification	Guarantee type
Shanghai Guosheng (Group) Co., Ltd.	20545.05	Normal	Credit
Shanghai State-owned Assets Operation Co., Ltd.	11178.31	Normal	Credit
Oriental International Group Shanghai Foreign Trade Ltd.	7947.17	Normal	Guarantee
Jiaxing Chengwang Real Estate & Development Co., Ltd.	7475	Normal	Collateral
Shanghai Shanxin Real Estate & Development Co., Ltd.	4300	Normal	Collateral
Shanghai Pengchen Fire Equipment Co., Ltd.	1000	Normal	Collateral

V. Internal Transaction

Within the reporting period, the Company's internal transactions mainly included the Bank's credit granting, guarantee (including guarantee among rural banks), service charge, FI deposit, wealth management arrangements and asset transfer with rural banks.

In 2017, the Bank provided accumulatively RMB 380 million interim liquidity facility to 4 rural banks including Ningxiang, Lixian and Linli rural banks in Hunan Province, and Fangshan rural bank in Beijing, all were settled by year end; the Bank provided RMB 110 million short-term liquidity facility to Mengzi, Gejiu rural banks in Yunan Province, and Tai'an rural bank in Shandong Province, with a year-end balance

of RMB 60 million (30 million for Tai'an and Gejiu respectively). In 2017, the 5th Meeting of SRCB 3rd Board reviewed and approved the NPL restructuring scheme for rural banks, namely the Bank purchased RMB 327,192,200 NPL at a price of 59,062,000, of which RMB 4,298,200 was recovered by 2017 year-end.

In 2016, there was no payment receivable/payable with rural banks. Between rural banks, there was no cross-shareholding, credit extension, payment receivable/payable, service charge and agency trading etc.

VI. Information on Shareholders' Loans

(I) Shareholders' Loans with the Balance of a Single Loan Exceeding 1% of Net Capital or the Total Balance of a Single Shareholder Exceeding 5% of Net Capital

Within the reporting period, the situation above did not occur in SRCB.

(II) Shareholders' Loans with a Year-end Balance over RMB 30 Million

Unit: RMB 10,000 Yuan

Shareholder's Name	Loan balance	Five-level Classification	Main Guarantee Style	Business Types
Shanghai Minhang Real Estate Development Co., Ltd	49000	Normal	Mortgage	Mortgage loan of operational properties
Shanghai Changfeng Investment Development Co., Ltd.	26506.7	Normal	Mortgage	Other project loan
Shanghai Wujiachang (Group) Co., Ltd.	17631.93	Normal	Mortgage	Mortgage loan of operational properties, short-term working capital loan
Shanghai New Long March (Group) Co., Ltd.	12870	Normal	Mortgage	Mortgage loan of operational properties
Shanghai Beicai Assets Management Co., Ltd.	9550	Normal	Mortgage	Mortgage loan of operational properties, short-term working capital loan
Shanghai Yingfu Real Estate Development Co., Ltd.	8500	Normal	Mortgage	Short-term working capital loan
Shanghai Shanxin Real Estate & Development Co., Ltd.	7225	Normal	Mortgage	Capital construction loan, mortgage loan of operational properties
Shanghai Zhongyi Industrial Co., Ltd.	6000	Normal	Mortgage	Mortgage loan of operational properties
Shanghai Xinjiang Industrial Co., Ltd.	5575.81	Normal	Mortgage	Mortgage loan of operational properties
Shanghai Malu Assets Management Co., Ltd.	5000	Special mention	Guarantee	Short-term working capital loan
Shanghai Qingpu Auto Lamp Painting Factory	4500	Normal	Pledge	Short-term working capital loan, SME property secured working capital loan
Shanghai Sanlin Collective Asset Investment Management Co., Ltd.	3150	Normal	Mortgage	Short-term working capital loan
Shanghai Shenjiang Forging Co., Ltd.	3080	Normal	Guarantee	Short-term working capital loan, SME property secured working capital loan

(III) Non-performing Shareholders' Loans Based on Five-category Classification

By the end of the reporting period, the Company had zero non-performing shareholder's loan according to five-category classification.

(IV) Non-performing Shareholders' and Related Companies' Loans

By the end of the reporting period, the Company had zero non-performing shareholder's loan according to five-category classification.

VII. Major Contracts and Compliance Situation

During the reporting period, no custody, contracting, leasing assets of other companies or other companies' custody, contracting or leasing assets of our Company under significant contracts entered into by the Company was beyond the normal banking business scope. There was no major entrustment to any party for cash assets management. Our guarantee business was within our daily business scope. Except for financial guarantee business within the operating scope approved by the People's Bank of China and the China Banking Regulatory Commission, there were no other major guarantee issues that need to be disclosed. SRCB's major contract disputes were mainly loan litigation cases. Otherwise, SRCB had no major contract disputes.

VIII. Appointment and Dismissal of Accounting Firms

SRCB appointed Deloitte & Touche CPAs. to audit SRCB's financial statements prepared in accordance with the domestic Accounting Standards for Business Enterprises. The above proposal on engagement of external auditor was reviewed and approved at the 31st Meeting of the 2nd Board of Directors.

IX. Information on Punishments for SRCB, SRCB Board of Directors, Board of Supervisors, and Senior Management

None.

X. Other Important Information Necessary for Public Knowledge

(I) Obtainment of Business Entrance Qualification

In 2017, there was no new business access qualification for SRCB.

(II) Changes in Directors and Supervisors

See "Changes in Directors, Supervisors and Senior Management within Reporting Period".

(III) Matters for Future Attention

None.

XI. Changes in Company Name within Reporting Period

None.

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Financial Reports and Catalog of Documents Available for Reference

Financial Statements (See the attachments)

List of Documents for Reference



I. Financial Statements (See the attachment)

(I) Audit Report

(II) Financial Statements

(III) Financial Statement Notes

II. List of Documents for Reference

(I) Accounting statements signed by the legal representative, bank president, and accounting department leader.

(II) Original audit reports signed and sealed by the certified public accounting firm and the certified public accountant concerned.

(III) Original annual report signed by the Chairman of the Board of Directors.

(IV) Original copies of all the documents and announcements publicly disclosed on the Shanghai Financial News and other newspapers within the reporting period.

















(V) Articles of Association.

Directors' and Senior Officers' Written Confirmation Opinions on the Company's 2017 Annual Report


According to regulations and requirements of the "Measures on Information Disclosure of Commercial Banks" (CBRC [2007] No.7 Directive) and the "Special Regulations on Information Disclosure of Commercial Banks" (CBRC [2008] No.33 Announcement), we as SRCB directors and senior officers issue the following comments after fully knowing and reviewing the 2017 Annual Work Report of SRCB:

1. SRCB runs in strict accordance with the Accounting Standards for Business Enterprises and relative system specifications. The 2017 Annual Work Report fairly reflected SRCB's financial conditions and operation outcomes within this reporting period.
2. Various data involved in the annual report has been verified and confirmed, reflecting the principles of steadiness, prudence, objectiveness, authenticity, accuracy and comprehensiveness. We hold the view that the 2017 Annual Work Report of SRCB has no false records, misleading statements or material omissions and meets the requirements of relative regulatory agencies and the actual conditions of SRCB's operation and management.
3. The 2017 annual financial statements have been audited by the Deloitte & Touche CPAs who issued a standard unbiased auditing report.

Signature of Directors and Senior Management

			
Ji Guangheng	Xu Li	Shen Xunfang	Zhou Lei
			
Zhao Ying	Wang Tayu	Chen Shuai	Xue Jian
			
Ha Erman	Deng Weili	Wang Kaiguo	Zhu Yuchen
			
Chen Jiwu	Sun Zheng	Chen Naiwei	Chen Kai
			
Mao Huigang			

Signature of Senior Management:

		
Shen Xingbao	Li Jin	Jin Jianhua
		
Wang Jianping		





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Financial Statements and Report of the Auditors

Report of the auditors

Consolidated and Bank's balance sheets

Consolidated and Bank's income statements

Consolidated and Bank's cash flow statements

Consolidated and Bank's statement of changes in Shareholders' equity

Notes to financial statements



Financial Statements and Auditor's Report for the year ended 31 December 2017

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Auditor's Report

De Shi Bao (Shen) Zi (18) No.P02160

To the Shareholders of Shanghai Rural Commercial Bank Co., Ltd.:

1. Opinion

We have audited the accompanying financial statements of Shanghai Rural Commercial Bank Co., Ltd. (the "Bank"), which comprise the Bank's and consolidated balance sheets as at 31 December 2017, and the Bank's and consolidated income statements, the Bank's and consolidated statements of changes in Shareholders' equity and the Bank's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Bank's and consolidated financial position as of 31 December 2017, and the Bank's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. 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 Bank in accordance with the Code of Ethics for Chinese Institute of 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.

3. Other Information

The management of the Bank is responsible for other information. The other information comprises the information included in the annual report for the year of 2017, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The management of the Bank is responsible for preparing the financial statements in accordance with Accounting Standards for Business Enterprise to achieve fair presentation of the financial statements and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank'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 the management either intends to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance is responsible for supervising the financial reporting process of the Bank.

5. Auditor's Responsibility 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 China Standards on Auditing 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.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment 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 the management.
- (4) Conclude on the appropriateness of the 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 Bank'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 Bank 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 Bank 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.

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.

Deloitte Touche Tohmatsu
Certified Public Accountants LLP



Shanghai, China
28 March, 2018

Chinese Certified
Public Accountant

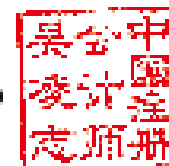
胡小俊



Hu Xiaojun

Chinese Certified
Public Accountant

吴立志



Wu Lingzhi

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CONSOLIDATED BALANCE SHEET 31 DECEMBER 2017

(in thousands of RMB)

Item	Notes	Group		Bank	
		As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
ASSETS:					
Cash and balances with central bank	IX. 1	96,058,800	86,726,469	91,898,866	82,166,236
Due from banks and other financial institutions	IX. 2	19,514,699	11,308,560	9,961,760	3,898,824
Placements with banks and other financial institutions	IX. 3	35,080,222	32,192,925	35,080,222	32,192,925
Precious Metals		131	2,809	131	2,809
Financial assets at fair value through profit or loss	IX. 4	2,515,427	3,273,212	2,515,427	3,273,212
Derivative financial assets	IX. 5	375,697	668,898	375,697	668,898
Financial assets purchased under resale agreements	IX. 6	26,737,512	5,570,413	26,737,512	5,570,413
Interest receivables	IX. 7	3,693,002	2,620,252	3,610,919	2,551,101
Loans and advances to customers	IX. 8	361,298,257	328,430,370	349,697,860	313,608,010
Available-for-sale financial assets	IX. 9	105,214,422	120,789,471	104,541,180	119,377,451
Held-to-maturity investments	IX.10	121,036,032	94,326,945	121,036,032	94,326,945
Investments classified as loans and receivables	IX.11	12,472,235	13,911,674	12,472,235	13,911,674
Long-term equity investments	IX.12	947,781	841,680	1,698,917	1,919,480
Fixed assets	IX.13	4,586,022	4,147,360	4,499,713	4,037,285
Construction in progress	IX.14	1,421,182	2,244,959	1,399,875	2,229,537
Deferred tax assets	IX.15	3,090,271	2,391,182	2,995,963	2,207,460
Classified as available for sale assets		3,138	-	3,138	-
Other assets	IX.16	8,012,769	1,433,379	7,921,847	1,314,892
TOTAL ASSETS		802,057,599	710,880,558	776,447,294	683,257,152

Item	Notes	Group		Bank	
		As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
LIABILITIES:					
Borrowings from central bank		6,776,000	1,043,500	6,400,000	600,000
Due to banks and other financial institutions	IX.18	10,502,153	32,420,657	15,512,676	37,925,244
Placements from banks and other financial institutions	IX.19	29,415,649	7,542,118	29,415,649	7,542,118
Financial liabilities at fair value through profit or loss		131	-	131	-
Derivative financial liabilities	IX.5	880,290	484,418	880,290	484,418
Financial assets sold under repurchase agreements	IX.20	52,261,451	34,718,167	52,261,451	34,718,167
Customer deposits	IX.21	609,081,222	553,774,691	581,269,852	523,351,122
Employee benefits payables	IX.22	2,368,900	1,691,651	2,343,237	1,671,275
Tax payables	IX.23	1,435,321	1,053,499	1,358,241	1,010,655
Interest payables	IX.24	11,873,076	11,252,333	11,507,351	10,966,100
Debt securities issued	IX.25	23,099,042	18,272,810	23,099,042	18,272,810
Contingent liabilities	IX.26	16,021	-	-	-
Other liabilities	IX.27	1,331,439	933,049	1,307,041	901,926
TOTAL LIABILITIES		749,040,695	663,186,893	725,354,961	637,443,835
SHAREHOLDERS' EQUITY:					
Share capital	IX.28	8,000,000	5,000,000	8,000,000	5,000,000
Capital reserve	IX.29	5,111,058	8,111,058	5,111,058	8,111,058
Other comprehensive income	IX.30	37,701	197,578	36,522	193,040
Surplus reserve	IX.31	12,663,142	10,707,464	12,539,563	10,623,321
General reserve	IX.32	8,197,253	6,527,967	7,988,262	6,356,583
Retained earnings	IX.33	17,672,971	15,678,853	17,416,928	15,529,315
Equity attributable to shareholders of the Bank		51,682,125	46,222,920		
Non-controlling interests		1,334,779	1,470,745		
TOTAL SHAREHOLDERS' EQUITY		53,016,904	47,693,665	51,092,333	45,813,317
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		802,057,599	710,880,558	776,447,294	683,257,152

The accompanying notes form part of the financial statements.

The financial statements on pages 93 to 180 were signed by the following:

Ji Guangheng
Chairman



Xu Li
President



Yao Xiaogang
Head of the
Accounting Department



CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

in thousands of RMB

Item	Notes	Group		Bank	
		Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
I. Operating income		17,920,775	15,638,259	16,711,208	14,684,633
Net interest income	IX. 34	12,317,803	10,620,808	11,169,560	9,575,489
Interest income	IX. 34	27,511,131	23,299,305	26,157,909	21,991,243
Interest expense	IX. 34	(15,193,328)	(12,678,497)	(14,988,349)	(12,415,754)
Net fee and commission income	IX. 35	3,178,037	2,332,847	3,247,427	2,442,145
Fee and commission income	IX. 35	3,444,432	2,497,460	3,501,374	2,592,221
Fee and commission expense	IX. 35	(266,395)	(164,613)	(253,947)	(150,076)
Investment income	IX. 36	2,146,848	2,436,765	2,135,842	2,419,583
of which: share of profit of associates		322,665	117,366	322,665	117,366
Loss from changes in fair value		(674,738)	(22,913)	(674,738)	(22,913)
Exchange gain		712,291	200,158	712,291	200,158
Other operating income		28,722	21,085	28,328	20,672
Gains from disposal of assets		93,647	49,509	92,498	49,499
Other income	IX. 37	118,165	-		
II. Operating expenses		(9,766,283)	(8,473,324)	(8,896,024)	(7,672,412)
Taxes and levies	IX. 38	(175,146)	(418,800)	(170,942)	(399,043)
General and administrative expenses	IX. 39	(6,047,252)	(5,866,429)	(5,625,397)	(5,448,812)
Impairment loss on assets	IX. 40	(3,533,312)	(2,164,460)	(3,090,113)	(1,802,064)
Other operating expense		(10,573)	(23,635)	(9,572)	(22,493)
III. Operating income		8,154,492	7,164,935	7,815,184	7,012,221
Non-operating income	IX. 41	258,770	199,882	255,226	141,197
Non-operating expenses	IX. 42	(32,664)	(24,463)	(15,024)	(24,028)
IV. Profit before tax		8,380,598	7,340,354	8,055,386	7,129,390
Income tax	IX. 43	(1,717,597)	(1,363,864)	(1,469,852)	(1,279,627)
V. Net profit		6,663,001	5,976,490	6,585,534	5,849,763
(I) Categorized by the continuity of operation					
1. Net profit in continued operations		6,663,001	5,976,490	6,585,534	5,849,763
2. Net profit in discontinued operations		-	-	-	-
(II) Categorized by ownership of equity					
1. Net profit attributable to owners of the Bank		6,769,082	5,902,491		
2. Profit or loss attributable to non-controlling interests		(106,081)	73,999		
VI. Other comprehensive income, net of tax	IX. 30	(163,099)	(575,070)	(156,518)	(584,085)
Other comprehensive income attributable to owners of the Bank, net of tax		(159,877)	(579,547)		
(I) Other comprehensive income that won't be subsequently reclassified to profit or loss, net of tax					
1. Changes arising from remeasurement of net liabilities or net assets of defined benefit plan		(24,443)	-	(24,443)	-
(II) Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax					
1. Gains or losses on changes in fair value of available-for-sale financial assets		(135,434)	(579,547)	(132,075)	(584,085)
Other comprehensive income attributable to non-controlling interests, net of tax		(3,222)	4,477		
VII. Total comprehensive income		6,499,902	5,401,420	6,429,016	5,265,678
Total comprehensive income attributable to shareholders of the Bank		6,609,205	5,322,944		
Total comprehensive income/(loss) attributable to non-controlling interests		(109,303)	78,476		

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENED 31 DECEMBER 2017

in thousands of RMB

Item	Notes	Group		Bank	
		Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
I. Cash flows from operating activities:					
Net increase in customer deposits and due to other banks		33,388,026	87,133,089	35,506,162	81,281,305
Net decrease in financial assets purchased under resale agreements		-	11,123,212	-	11,123,212
Net increase in financial assets sold under repurchase agreements		17,543,284	12,814,597	17,543,284	12,814,597
Net increase in borrowings from central bank		5,732,500	-	5,800,000	-
Net increase in placements from banks and other financial institutions		15,099,073	6,159,422	15,099,073	6,159,422
Interest received		20,777,224	18,918,661	19,471,091	17,632,573
Fee and commission received		3,444,432	2,497,460	3,501,374	2,592,221
Cash received relating to other operating activities		8,323,345	1,187,918	8,207,963	1,127,534
Sub-total of cash inflows		104,307,884	139,834,359	105,128,947	132,730,864
Net increase in loans and advances to customers		(36,086,549)	(41,359,509)	(38,587,277)	(39,840,446)
Net increase in balances with central bank and placements with banks and other financial institutions		(20,064,787)	(11,056,022)	(14,308,412)	(11,529,152)
Net increase in financial assets purchased under resale agreements		(21,167,100)	-	(21,167,100)	-
Net decrease in borrowings from central bank		-	(2,391,000)	-	(2,100,000)
Net increase in placements with banks and other financial institutions		(2,887,298)	(12,096,642)	(2,887,298)	(12,096,642)
Interest paid		(12,565,265)	(10,748,960)	(12,439,778)	(10,574,630)
Fee and commission paid		(266,395)	(164,613)	(253,947)	(150,076)
Cash payments to and on behalf of employees		(3,271,070)	(3,744,065)	(2,853,129)	(3,533,465)
Payments of various types of taxes		(2,076,333)	(2,245,182)	(1,949,769)	(2,067,257)
Cash paid relating to other operating activities		(8,246,477)	(2,052,291)	(8,288,016)	(1,898,983)
Sub-total of cash outflows		(106,631,274)	(85,858,284)	(102,734,726)	(83,790,651)
Net cash flows from operating activities	IX.44(1)	(2,323,390)	53,976,075	2,394,221	48,940,213
II. Cash flows from investing activities:					
Cash received from disposal of investments		73,864,975	44,643,592	69,214,974	43,960,476
Cash received from returns on investments		7,291,181	10,174,436	7,280,175	10,157,255
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		314,262	121,281	312,038	118,369
Sub-total of cash inflows		81,470,418	54,939,309	76,807,187	54,236,100
Cash paid to acquire investments		(82,866,523)	(117,738,808)	(78,946,523)	(116,326,788)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(413,882)	(489,354)	(401,455)	(442,743)
Sub-total of cash outflows		(83,280,405)	(118,228,162)	(79,347,978)	(116,769,531)
Net cash flows from investing activities		(1,809,987)	(63,287,036)	(2,540,791)	(62,533,431)

Item	Notes	Group		Bank	
		Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
III. Cash flows from financing activities:					
Proceeds from debt securities issued		7,000,000	3,000,000	7,000,000	3,000,000
Net increase in interbank negotiable certificates of deposit issued		12,942,215	15,184,457	12,942,215	15,184,457
Sub-total of cash inflows		19,942,215	18,184,457	19,942,215	18,184,457
Repayment of debts securities issued		(15,184,457)	(3,897,574)	(15,184,455)	(3,897,574)
Cash payments for distribution of dividends		(3,115,510)	(1,465,399)	(3,088,847)	(1,431,167)
Sub-total of cash outflows		(18,299,967)	(5,362,973)	(18,273,302)	(5,328,741)
Net cash from financing activities		1,642,248	12,821,484	1,668,913	12,855,716
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(33,006)	51,558	(33,006)	51,558
V. Net increase/(decrease) in cash and cash equivalents		(2,524,135)	3,560,264	1,489,337	(685,944)
Add: cash and cash equivalents at the beginning of the year		18,352,849	14,792,585	9,717,587	10,403,531
VI. Cash and cash equivalents at the end of the year	IX. 44(2)	15,828,714	18,352,849	11,206,924	9,717,587

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

in thousands of RMB

Item	2017							
	Capital and reserves attributable to shareholders of the Bank						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
I. Opening balance of theyear	5,000,000	8,111,058	197,578	10,707,464	6,527,967	15,678,853	1,470,745	47,693,665
II.Changes for the year								
1.Total Comprehensive income	-	-	(159,877)	-	-	6,769,082	(109,303)	6,499,902
2. Profit distribution	-	-	-	1,955,678	1,669,286	(4,774,964)	(26,663)	(1,176,663)
(1) Transfer to surplus reserve	-	-	-	1,955,678	-	(1,955,678)	-	-
(2) Transfer to general reserve	-	-	-	-	1,669,286	(1,669,286)	-	-
(3) Distributions to Shareholders	-	-	-	-	-	(1,150,000)	(26,663)	(1,176,663)
III. Transfers within the owners'equity	3,000,000	(3,000,000)	-	-	-	-	-	-
1. Capital transferred from capital surplus	3,000,000	(3,000,000)	-	-	-	-	-	-
IV. Closing balance of the year	8,000,000	5,111,058	37,701	12,663,142	8,197,253	17,672,971	1,334,779	53,016,904

Item	2016							
	Capital and reserves attributable to shareholders of the Bank						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
I. Opening balance of theyear	5,000,000	8,111,058	777,125	8,941,611	5,184,169	13,886,013	1,426,501	43,326,477
II.Changes for the year								
1.Total Comprehensive income	-	-	(579,547)	-	-	5,902,491	78,476	5,401,420
2. Profit distribution	-	-	-	1,765,853	1,343,798	(4,109,651)	(34,232)	(1,034,232)
(1) Transfer to surplus reserve	-	-	-	1,765,853	-	(1,765,853)	-	-
(2) Transfer to general reserve	-	-	-	-	1,343,798	(1,343,798)	-	-
(3) Distributions to Shareholders	-	-	-	-	-	(1,000,000)	(34,232)	(1,034,232)
3. Transfers within the owners'equity	-	-	-	-	-	-	-	-
1. Capital transferred from capital surplus	-	-	-	-	-	-	-	-
IV. Closing balance of the year	5,000,000	8,111,058	197,578	10,707,464	6,527,967	15,678,853	1,470,745	47,693,665

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

in thousands of RMB

Item	2017						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total shareholders' equity
I. Opening balance of the year	5,000,000	8,111,058	193,040	10,623,321	6,356,583	15,529,315	45,813,317
II. Changes for the year							
1. Total Comprehensive income	-	-	(156,518)	-	-	6,585,534	6,429,016
2. Profit distributions	-	-	-	1,916,242	1,631,679	(4,697,921)	(1,150,000)
(1) Transfer to surplus reserve	-	-	-	1,916,242	-	(1,916,242)	-
(2) Transfer to general reserve	-	-	-	-	1,631,679	(1,631,679)	-
(3) Distributions to Shareholders	-	-	-	-	-	(1,150,000)	(1,150,000)
3. Transfers within the owners' equity	3,000,000	(3,000,000)	-	-	-	-	-
1. Capital transferred from capital surplus	3,000,000	(3,000,000)	-	-	-	-	-
IV. Closing balance of the year	8,000,000	5,111,058	36,522	12,539,563	7,988,262	17,416,928	51,092,333

in thousands of RMB

Item	2016						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total shareholders' equity
I. Opening balance of the year	5,000,000	8,111,058	777,125	8,890,097	5,070,355	13,699,004	41,547,639
II. Changes for the year							
1. Total Comprehensive income	-	-	(584,085)	-	-	5,849,763	5,265,678
2. Profit distributions	-	-	-	1,733,224	1,286,228	(4,019,452)	(1,000,000)
(1) Transfer to surplus reserve	-	-	-	1,733,224	-	(1,733,224)	-
(2) Transfer to general reserve	-	-	-	-	1,286,228	(1,286,228)	-
(3) Distributions to Shareholders	-	-	-	-	-	(1,000,000)	(1,000,000)
3. Transfers within the owners' equity	-	-	-	-	-	-	-
1. Capital transferred from capital surplus	-	-	-	-	-	-	-
IV. Closing balance of the year	5,000,000	8,111,058	193,040	10,623,321	6,356,583	15,529,315	45,813,317

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts expressed in thousands of RMB unless otherwise stated)

I. BASIC INFORMATION

Shanghai Rural Commercial Bank Co., Ltd. (the "Bank") is a joint-stock commercial bank reconstructed from the former Shanghai Rural Credit Cooperatives, including 1 municipal cooperative agency, 14 county-level cooperative agencies and 219 credit cooperatives sub-agencies on 23 August 2005.

The Bank obtained its finance approval license No. B0228H231000001 from China Banking Regulatory Commission ("CBRC") and obtained its business license No. 310000000088142 from Shanghai Municipal Administration of Industry and Commerce. The registered address of the Bank is No. 70 of East Zhongshan Number Two Road, Shanghai. The Bank replaced its business license on 28 December 2017, and the unified social credit code is No. 913100007793473149.

As at 31 December 2017, the Bank's registered capital is RMB8 billion. The shareholders who hold more than 5% equity shares of Shanghai State-owned Assets management Co., Ltd., China Ocean Shipping Group Co. Ltd., Baoshan Iron & Steel Co., Ltd., China Pacific Life Insurance Co., Ltd., Shanghai International (Group) Co., Ltd., Shenzhen Lenovo Science and Technology Park Co., Ltd., which own 10.00%, 10.00%, 10.00%, 7.00%, 6.02% and 5.73% of the ordinary shares of the Bank respectively.

The Bank and its subsidiary are referred to as the "Group". The Group's main business activities include: domestic deposits and short-term, mid-term and long-term loans, domestic and foreign settlements, bill acceptance and discount, government bonds distributing, redeeming and underwriting as an agency of government, government bonds and banking notes trading, inter-bank borrowing and lending, bank card services, foreign currency deposits, loans and remittance, international settlements, inter-bank foreign currency borrowing and lending, credit investigation, consultation and assurance businesses, funds collection and commissioning, custodian service, purchase and sales of foreign currency (versus RMB) and other business activities approved by the CBRC.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Bank has adopted the International Financial Reporting Standards (the "IFRSs") issued by the Ministry of Finance (the "MOF").

The group has evaluated the ability to continue as a going concern for 12 months since December 31, 2017, and no audit evidence had been obtained that a material uncertainty exists

related to events or conditions that may cause significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements are prepared based on the going concern basis of accounting.

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The financial statements of the Bank have been prepared in accordance with ASBE, and present truly and completely, the Bank's and consolidated financial position as of 31 December 2017, and the Bank's and consolidated results of operations and cash flows for the year then ended.

IV. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

2. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Bank and its domestic subsidiaries operate. Therefore, the Bank and its subsidiaries choose RMB as their functional currency.

3. Basis of presentation

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Under the historical cost measurements, an asset acquired using cash or cash equivalents are recognised in its fair value. A liability is recognised in (1) the monetary item received or an asset in exchange due to its present obligation; (2) contractual amount due to its present obligation; or (3) the estimated amount of cash or cash equivalents will be paid in the ordinary course of business in the repayment of the liability.

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, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. The Group shall reassess its control when changes in relevant facts and circumstances lead to changes in the elements of control.

The Group consolidates a subsidiary when obtaining control while terminates the consolidation when the Group loses control over a subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Bank.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of Shareholders' equity that is not attributable to the Bank is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated balance sheet within Shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of Shareholders' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Bank's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to other comprehensive income under Shareholders' equity. If other comprehensive income is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (1) the aggregate of the consideration received on disposal and the fair value of any retained interest; and (2) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

5. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Translation of transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in

foreign currencies and changes in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

7. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

7.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amounts of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

7.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading

and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

Financial assets at fair value through profit or loss ("FVTPL") - continued

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from de-recognition, impairment or amortisation is recognised in profit or loss. If it is no longer appropriate to classify an investment as held-to-maturity, the investment shall be reclassified as available-for-sale financial asset by the Group and subsequently measured at fair value and the Group will not reclassify the investment as held-to-maturity for the current and two reporting periods afterwards.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from de-recognition, impairment or amortisation is recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured they are measured at cost.

7.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial re-organisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:

Adverse changes in the payment status of borrower in the group of assets;

-Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

(7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

(9) Other objective evidence indicating there is an impairment of a financial asset.

Impairment of financial assets measured at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amounts of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in other comprehensive income is reclassified from the other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amounts of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

7.4 Transfer of financial assets

The Group de-recognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the de-recognition criteria, the difference between (1) the carrying amounts of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for de-recognition, the carrying amounts of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amounts allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the

part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

7.5 Asset-backed securities business

The Group securitises a portion of credit assets by selling these assets to structured entities, and the structured entities assets-backed securities to investors. Conditions of derecognising the relevant financial refer to Note IV 7.4. When applying the derecognising conditions of financial assets, the Groups has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other structured entity, as well as the extent of control over such entity by the Group. If the derecognising conditions of credit-backed securities are not satisfied, the related financial assets are not derecognised, but the funds raising from third party investors will be treated as financing models.

7.6 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; (2) the financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; and (3) the hybrid instrument that is

embedded with derivative instruments may be designated as at FVTPL in accordance with the principles set out in Accounting Standard for Business Enterprises No.22 - Financial Instruments: Recognition and Measurement ("ASBE22").

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognised in profit or loss.

During the Reporting Period, the Group had no financial liabilities designated as at FVTPL on initial recognition.

Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

7.7 De-recognition of Financial Liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amounts of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

7.8 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and highly effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if (1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

7.9 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

7.10 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to Shareholders' equity.

All types of distributions (excluding stock dividends) made by the Group to holders of equity instruments are deducted from Shareholders' equity. The Group does not recognise any changes in the fair value of equity instruments.

8. Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially and subsequently recognised at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise.

9. Long-term equity investments

9.1 Basis for determining control, joint control and significant influence over investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When determine whether an investor can exercise significant influence over an investee, the effect of potential voting rights (i.e. warrants and convertible bonds) held by the investors or other parties that are currently exercisable or convertible shall be considered.

9.2 Determination of investment cost

For a business combination not involving enterprises under common control, a long-term equity investment is measured at initial investment cost on the acquisition date.

The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the absorbing party or acquirer for the business combination, shall be recognised in profit or loss as incurred.

A long-term equity investment acquired otherwise than through a business combination shall be determined as at cost in the initial investment. When an investor becomes capable of exercising joint control or significant influence (but not control) over an investee due to additional investment or other reasons, the investor shall change to the equity method and use the fair value of the previously-held equity investment determined in accordance with the principles set out in ASBE22, together with additional investment cost, as the initial investment cost under the equity method.

Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Bank's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the long-term equity investment shall recognise its share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amounts of the investment accordingly. The carrying amounts of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investor's share of the investee's Shareholders' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognised in the investor's equity, and the carrying amounts of the long-term equity investment shall be adjusted accordingly. The investor shall recognise its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at acquisition

date. Where the accounting policies and accounting period adopted by the investee are not consistent with those used by the investor, the investor shall, using its own accounting policies and accounting period, adjust the relevant items of the financial statements of the investee, and recognise investment income or losses, other comprehensive income, and other related items, based on the adjusted financial statements of the investee. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

9.3 Subsequent measurement and the recognition of profit or loss

The Group discontinues recognising its share of net losses of the investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

9.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amounts is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the remaining equity investment shall continue to adopt the equity method, while any other comprehensive income previously recognised shall be accounted for on the same basis as would have required if the investee had directly disposed of the related assets or liabilities on a pro-rata basis upon the disposal of the equity investment and recognised in profit and loss accordingly. For a long-term equity investment accounted for using the cost method, the remaining equity investment shall continue to adopt the cost method, while any other comprehensive income previously recognised under the equity method or in accordance with the principles set out in ASBE22 shall be accounted for on the same basis as would have required if the investee had directly disposed of the related assets or liabilities on a pro-rata basis upon the disposal of the equity investment and recognised in profit and loss accordingly. Changes in Shareholders' equity recognised under the equity method other than net profit or loss, other comprehensive income, and profit distribution shall be recognised in profit or loss on a pro-rata basis.

When the Group can no longer exercise control over an investee due to partial disposal of equity investment or other reasons, and with the retained interest, still has joint control of, or significant influence over, the investee, when preparing the

individual financial statements, the investor shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the first acquisition. If the Group cannot exercise joint control of or significant influence over the investee after partial disposal of equity investment, the remaining equity investment shall be accounted for in accordance with the principles set out in ASBE22, and the difference between the fair value and carrying amounts at the date of the loss of control shall be charged to profit or loss for the current period. Before the Group gains control of an investee, any other comprehensive income previously recognised under the equity method or in accordance with the principles set out in ASBE22 shall be accounted for on the same basis as would have required if the investee had directly disposed of the related assets or liabilities on a pro-rata basis upon when the Group loss control of the investee. Changes in Shareholders' equity recognised under the equity method other than net profit or loss, other comprehensive income, and profit distribution shall be recognised in profit or loss when the Group loss control of the investee. In which, if the remaining equity investment adopts the equity method, other comprehensive income and owner's equity shall be recognised on a pro-rata basis. If the remaining equity investment adopts the principle sets out in accordance with ASBE22, other comprehensive income and owner's equity shall be all recognised.

When the Group can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, the remaining equity investment shall be accounted for with the principles set out in accordance ASBE22. The difference between the fair value and the carrying amounts at the date of the loss of joint control or significant influence shall be charged to profit or loss for the current period. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognised shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method. Changes in Shareholders' equity recognised under the equity method other than net profit or loss, other comprehensive income, and profit distribution shall be recognised in profit or loss upon discontinuation of the equity method.

Where the Group loss control of a subsidiary in multiple transactions in which its disposes of its subsidiary in stages, if each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions should be accounted for as a single transactions, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to the profit or loss when the Group eventually losses control of the subsidiary.

9.5 Methods of impairment assessment and determining the provision for impairment loss

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amounts, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for a long-term equity investment, it will not be reversed in any subsequent period.

10. Fixed assets

10.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

10.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Building	20	5.00	4.75
Transportation equipment	5	5.00	19.00
Electronic equipment	5	5.00	19.00
Machinery	5-10	5.00	9.50-19.00
Office equipment	5	5.00	19.00

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

10.3 Methods of impairment assessment and determining the provision for impairment losses of fixed assets

The Group assesses at each balance sheet date whether there is any indication that the fixed assets may be impaired. If there

is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amounts, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period. Once the impairment loss of such assets is recognised, it is not reversed in any subsequent period.

10.4 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amounts and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

11. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

The Group assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amounts, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of construction in progress is recognised, it is not reversed in any subsequent period.

12. Intangible assets

12.1 Recognition criteria for intangible assets

Intangible assets include land use right and software, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

12.2 Research and development expenditure

Expenditure during the research phase is recognised as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period.

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Group has the intention to complete the intangible asset and use or sell it;
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period.

12.3 Methods of impairment assessment and determining the provision for impairment losses of intangible assets

The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired.

If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amounts, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Once the impairment loss of such assets is recognised, it is not reversed in any subsequent period.

13. Non-current Assets and disposal groups held for trading

When the Group takes back an asset's book value mainly through sale (including exchange of non-monetary assets with business nature) rather than continuous usage or disposition, it can be divided into non-current assets held for sale.

In order to be classified as non-current assets held for sale, the following conditions must be met at the same time: (1) The practice of selling such assets or disposal Groups in a similar transaction can be immediately sold under current conditions. (2) the sale is highly likely to occur, that is, the Group has made a decision on a sale plan and has obtained a confirmed purchase commitment, which is expected to be completed within one year.

The Group measures non-current assets held for sale using the minimum amount of its book value and net amount of fair value minus selling expenses. When book value is higher than net amount of fair value minus selling expenses, value of asset should be written down to the net amount of fair value minus selling expenses, the amount of write-downs should be recognized as impairment loss of the asset, which is included in current profit and loss. At the same time, provisions of impairment of assets for sale should be made.

Afterwards, when the net value of fair value minus selling expenses for sale increases at the balance sheet date, the Group can restore the writedowns, add back the impairment loss recorded within non-current asset categories, the added value will be included in current profit and loss.

Non-current assets held for sale or non-current assets in the disposal Group will no longer be depreciated or amortized, but interest from liabilities and other expenses in the Group for should still be recognized.

When an asset of consortium or joint venture equity investment assets is classified as held for sale in whole or in part, that part of asset classified as held for sale should no longer be measured by equity method since the date it is classified.

14. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

15. Assets transferred under repurchase agreements

15.1 Financial assets purchased under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the balance sheet. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the balance sheet. The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

15.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the balance sheet. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the balance sheet. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

16. Provisions

Provisions are recognised when the Group has a present obligation related to a contingency such as products quality assurance/ onerous contract/restructuring, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

17. Employee Benefits

The Group shall recognise, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset. The Group shall, based on the actually incurred amount, charge the occurred employee benefits to the profit or loss for the current period or include the benefits in the cost of relevant asset. Employee benefits which are non-monetary benefits shall be measured at fair value.

Payments made by the Group of social security contributions for employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and union running costs and employee education costs provided in accordance with relevant requirements shall, in the accounting period in which employee provide services, be calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits and recognise relevant liabilities, which a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

The Group shall recognise, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

The Group which provides termination benefits to employees shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for

the current period, at the earlier of the following dates: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and (2) when the Group recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

When other long-term employee benefits provided by the Group to the employees satisfied the condition for classifying as a defined contribution plan, those benefits shall be accounted for in accordance with the requirements relating to defined contribution plan.

The Bank provides retirement benefits to certain employees who have accepted an early retirement arrangement prior to the normal retirement date, as approved by the management. The Bank has recorded a liability for its obligation to these early retired employees. The present value of the liability is determined through estimated future cash payments discounted by interest rates of government bonds that have terms to maturity similar to the Bank's future payment obligations under the early retirement arrangements. Such liability is presented as an employee benefits payable on the balance sheet.

In addition to social security plans, the Bank further pays pension subsidies on a monthly basis to employees who had retired from the Bank as of 31 December 2018. The Bank adopts the projected unit credit method and attribute benefits to periods of service in which the defined benefit plan arise, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

18. Interest income and expenses

Interest income and expense are recognised in profit or loss for interest-bearing financial instruments using the effective interest method. If the difference between the effective interest rate and contracted interest rate is relatively small, then the contracted interest rate can be used as well.

19. Fee and commission income

Fee and commission income are recognised when the services are rendered.

20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive 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 non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately

in profit or loss for the period. Government grants shall be related to an asset or to income due to the nature of the beneficiary in the government's document.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

For repayment of a government grant already recognised, the book value of the related assets reduced in the initial confirmation shall be adjusted. If there is related deferred income, the repayment is offset against the carrying amounts of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

A government grant related to the daily activities of the Bank shall be included in other income or write-down related costs in accordance with the economic business essence. A government grant unrelated to the daily activities of the Bank shall be included in non-operating income or expense.

21. Current and deferred income tax

The income tax expenses include current income tax and deferred income tax.

21.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

21.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amounts of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in Shareholders' equity, in which case they are recognised in other comprehensive income or in Shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amounts of goodwill.

At the balance sheet date, the carrying amounts of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

22. Entrusted and agency services

22.1 Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial

guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure being required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the income statement.

22.2 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of its customers. Storage and repayment duty are not recognised in the Group's financial statements.

The Group administers entrusted loans on behalf of third-party lenders. In this regard, the Group grants loans to borrowers, as agent, at the direction of the third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans including their purposes, amounts, interest rates and repayment schedule. The Group charges a commission related to its activities in connection with the entrusted loans which is recognised rateably over the period the service is provided, but the risk of loss is borne by the third-party lenders.

23. Operating leases and finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

23.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

23.2 The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

24. Foreclosed assets

Foreclosed assets are recognised as their fair value on initial recognition. At the balance sheet date, foreclosed assets are measured at lower of carrying amounts and their fair value less estimated costs to sell on the date of foreclosure. When the amount of the fair value less estimated costs to sell exceeds the amount of the carrying amounts, a foreclosed asset shall be recognised in impairment loss.

The difference between net proceeds from disposal of foreclosed assets and its book value are recognised in non-operating income or expenses.

When the foreclosed assets are transferred to self-use assets, it shall be recognised at their book value. Any impairment of the foreclosed assets shall be recognised accordingly.

V. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Bank's accounting policies, which are described in Note IV, the Bank is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately due to the inherent uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Bank's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or if it is recognised in the period of the change and future periods, if the change affects both.

The following are the significant judgments, key assumptions and accounting estimates that the Bank has made and that have significant effect on the amounts recognised in the financial statements at the balance sheet date:

Fair value of financial instruments

The fair value of financial instruments that is not quoted in active markets is determined by using valuation techniques. The Group applies valuation techniques including discounted cash flow model, Black Scholes model, etc. To the extent practical, discounted cash flow models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

The classification of held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. The classification requires management judgment. In making this judgement, the Group evaluates its intention and ability to hold such investment to maturity. If the Group fails to keep these investments to maturity other than, for the specific circumstances, for example, selling an insignificant amount close to maturity, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment on the balance sheet date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the group. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and book value. When Loans and advances to customers are collectively assessed for impairment, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of available-for-sale financial assets and held-to-maturity investments

The determination whether an available-for-sale financial asset and a held-to-maturity investment are impaired requires the Group's management judgment.

The Group determines that an available-for-sale equity investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires management judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

The judgement on structured entities

When the group is the manager or investor in a structured entity, it needs to be judged from the following aspects: its power over

the structured entity, the variable returns enjoyed by involving in relevant activities, whether the Group has the ability to use its rights over the investee to affect the returns, and then further assess whether the Group has control over such structured entity.

Income taxes

Significant estimates are required in determining the provision for income tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business; in particular, the deductibility of certain items is subject to tax authority approval. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax and current tax liabilities and deferred income tax assets and liabilities in the period during which such a determination is made.

De-recognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full de-recognition. When evaluating and judging, the Group considers the various factors, and through the reasonable use of the model of measuring the financial risks and rewards related to the ownership of an asset transfer rate to determine termination confirm whether meet the conditions of financial assets.

VI. CHANGES IN ACCOUNTING POLICIES

The Company has adopted the Accounting Standards for Business Enterprises No. 42 - Held-for-Sale Non-Current Assets, Disposal Groups and Discontinued Operations issued by MoF in 2017 and the Accounting Standard for Business Enterprises No.16 – Government Grants revised by MoF in 2017 since 28 May 2017 and 12 June 2017 respectively. In addition, this financial statements are also prepared in accordance with Notice on Revising and Issuing Financial Statement Format of General Enterprises (Cai Kuai (2017) No. 30, hereinafter referred to as "Cai Kuai No. 30 Document") issued by MoF on 25 December 2017.

Government grants

Before adoption of the Accounting Standards for Business Enterprises No.16-Government Grants (Revised), a government grant related to an asset of the Company is recognized as deferred income, and evenly amortized to non-operating income over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized as non-operating income over the periods in which the related costs are

recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in non-operating income for the period. After the implementation of the Accounting Standards for Business Enterprises No.16 - Government Grants (Revised), a government grant related to an asset is recognized as deferred income or charged against the carrying amount of related assets, and included in profit or loss over the useful life of the related asset with a reasonable and systemic method. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and included in profit or loss or charged against the related costs over the periods in which the related expenses or losses are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss or charged against related cost for the period. A government grant related to the Company's daily activities is recognized in other income or charged against related costs and expenses based on the substance of economic activities; a government grant not related to the Company's daily activities is recognized in non-operating income and expenses.

The Company has accounted for the above changes in accounting policies retrospectively. Such changes in accounting policies have no impact on the financial statements for the comparable years.

Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations

Accounting Standards for Business Enterprises No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations specifies regulations for classifications and measurement of held-for-sale non-current assets or disposal group, requiring separately present profit or loss arising from continued operations or discontinued operations in the income statement with detailed disclosures about information of the held-for-sale non-current assets or disposal group and discontinued operations. This standard requires retrospective approach for accounting treatment, which has no impact on the financial statements for the comparable years.

Presentation of profit or loss on disposal of assets

Prior to the release of Cai Kuai No. 30 Document, the gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets and intangible assets not classified as held-for-sale are presented under the item of "non-operating income" or "non-operating expenses". After the release of the Cai Kuai No.30 Document, gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets and intangible assets not classified as held-for-sale are presented under the item of "income from disposal of assets". The Company has accounted for the above change in presenting accounts retrospectively, and adjusted comparative figures for prior year.

VII. TAXATION

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Business tax ^(Note 1)	Taxable Income	3%-5%
Value-added tax ^(Note 2)	Taxable Income	3%-6%
Enterprise income tax ^(Note 3)	Taxable Profit	15%-25%
Urban construction tax	Turnover tax	1%-7%
Education surcharge	Turnover tax	3%
Local education surcharge	Turnover tax	2%
Levy of channel works building and maintenance fee ^(Note 4)	Turnover tax	1%

Note 1: Before April 30 2016, The Bank paid business tax on the basis of its taxable income, and the applicable tax rate is 5%. Meanwhile, in accordance with the "Notice on the taxation policy related to rural credit cooperatives" issued by the MOF and the State Administration of Taxation on 13 May 2010, the applicable business tax rate for some of the subsidiaries is 3%.

Note 2: In accordance with Cai Shui [2016] No.36, the "Notice on comprehensively carrying out the pilot project of the value-added tax for business tax reform" issued by the MOF and the State Administration of Taxation on 23 March 2016, the Group replaced business tax with value-added tax from 1 May 2016. The applicable tax rate for the major taxable services of the Bank is 6%. Meanwhile, in accordance with Cai Shui [2016] No.46, the "Notice on further clarifying the related policy of comprehensively carrying out the pilot project of the value-added tax for business tax reform in financial industry" issued by the State Administration of Taxation, the subsidiaries use a simplified method for calculating the value-added tax, and the applicable tax rate subsidiaries is 3%.

Note 3: In accordance with Cai Shui [2011] No.58, the "Notice on the taxation policy related to further implementation of the western development strategy", the applicable income tax rate for some of the subsidiaries is 15%.

Note 4: In accordance with Cai Shui [2017] No.20, the "Notice of the Ministry of Finance and the State Development and Reform Commission on cleaning up and regulating a batch of administrative fees related policies", since 1 April 2017, the Group no longer pays the levy of channel works building and maintenance fee.

VIII. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

1.1 Subsidiaries established

Full name of the subsidiary	Registration location	Registered Capital	Nature of business	Share of equity interest of the Bank (%)	Voting right percentage of the Bank (%)
Shanghai Chongming Yangtze River Town Bank Co., Ltd. ^(Note1)	Shanghai	105,260	Financial Industry	48.45	50.10
Shandong Huaiyin Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Jinan Changqing County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Ningyang County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Dongping County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Linqing County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Liao City Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Liao City Chiping District Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Liao City Yanggu District Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Rizhao Economic Development District Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Taian County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Hunan Ningxiang County Village Bank Co., Ltd.	Hunan	100,000	Financial Industry	51.00	51.00
Hunan Shuangfeng Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Lianyuan County Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Liling County Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Shimen Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Cili Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Li County Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Linli Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Yongxing Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Guiyang Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Hengyang Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Changsha Xingsha Shanghai Village Bank Co., Ltd.	Hunan	100,000	Financial Industry	51.00	51.00
Yunnan Ruili City Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Kaiyuan County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Baoshan City Longyang District Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Mengzi County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Gejiu County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Jianshui County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Lincang City Linxiang District Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Mile County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Songming Shanghai Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Kunming Economic Development District Ala Shanghai Village Bank Co., Ltd.	Yunnan	100,000	Financial Industry	51.00	51.00
Shenzhen Guangming Shanghai Village Bank Co., Ltd. ^(Note2)	Shenzhen	200,000	Financial Industry	41.65	51.65
Beijing Fangshan Shanghai Village Bank Co., Ltd.	Beijing	100,000	Financial Industry	51.00	51.00

Note 1: On 18 February 2009, the Bank established Shanghai Chongming Yangtze River Village Bank Co., Ltd. with owning 51% of its equity and voting rights. In year 2012, this subsidiary changed its name into Shanghai Chongming Village Bank Co., Ltd. While at the end of 31 December 2012 the ownership has dropped to 48.45%. 14 shareholders signed an entrustment agreement with the Bank on 3 May 2012. They authorised the Bank to use their total 1.65% of the voting rights from 3 May 2012 to 2 May 2018. The Bank still represent actual control of this subsidiary, thus including it in the scope of the consolidated financial statements.

Note 2: In December 2012, the Bank established Shenzhen Guangming Shanghai Village Bank Co., Ltd. with owning 41.56% of its equity and voting rights. It obtained a business license on 27 December 2012 and began formal operations in early 2013. BaYanNaoEr HeTao Rural Commercial Bank Co., Ltd. signed an entrustment agreement with the Bank on 4 December 2012. It authorises the Bank to use its 10% of the voting rights from 27 December 2012 (Business License Issuance Date) to 31 December 2022. The Bank still represents actual control of this subsidiary, thus including it in the scope of the consolidated financial statements.

IX. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

in thousands of RMB

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Cash on hand	1,484,308	1,984,261	1,391,802	1,901,606
Statutory deposit reserves with central bank	86,468,412	77,395,958	84,016,680	74,831,252
Excess reserves with central bank	7,975,928	7,289,268	6,416,994	5,377,001
Others	130,152	56,982	73,390	56,377
Total	96,058,800	86,726,469	91,898,866	82,166,236

The Group is required to maintain statutory deposit reserves with the People's Bank of China ("PBOC"). Such statutory deposit reserves are not available for use by the Group for its day-to-day operations. As of 31 December 2017, the Bank's reserve ratio for customer deposits denominated in RMB is 15% (31 December 2016: 15%); the Bank's and subsidiaries' reserve ratio for deposits denominated in foreign currencies is 5% (31 December 2016: 5%). The subsidiaries' reserve ratio for customer deposits denominated in RMB is 8% or 9% (31 December 2016: 8% or 9%). Deposit reserves for foreign currency business is non-interest bearing.

Excess reserves with central bank represent surplus statutory deposit reserves mainly for settlement and reallocation purpose.

Other deposits with central bank primarily represent fiscal deposits placed with the PBOC that are not available for use in the Group's daily operations, including central budget revenue deposits and local treasury deposits, of which fiscal deposits are non-interest bearing.

2. Due from banks and other financial institutions

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Deposits with domestic financial institutions	18,971,451	10,564,320	9,418,512	3,154,584
Deposits with overseas financial institutions	545,430	744,240	545,430	744,240
Total	19,516,881	11,308,560	9,963,942	3,898,824
Less: Impairment allowances for deposits with other financial institutions	(2,182)	-	(2,182)	-
Carrying amounts	19,514,699	11,308,560	9,961,760	3,898,824

3. Placements with financial institutions

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Placements with domestic banks	5,669,252	4,741,635
Placements with overseas banks	280,970	298,290
Placements with other domestic financial institutions	29,130,000	27,153,000
Total	35,080,222	32,192,925

4. Financial assets at fair value through profit or loss

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Interbank negotiable certificates of deposit	1,909,547	2,785,270
Corporate bonds	269,274	478,045
Financial institution bonds	336,606	9,897
Total	2,515,427	3,273,212

The financial assets at fair value through profit or loss are all financial assets held for trading.

5. Derivative financial instruments

The Bank enters into foreign currency exchange rate, interest rate and precious metals related derivative financial instruments for purposes of trading, asset and liability management and customer driven business.

The notional amounts of derivative instruments represents the value of the underlying asset or the reference rate, which provide an indication of the volume of business transacted by the Bank, but don't stand for the relevant future cash flow or current fair value, thus, do not indicate the Bank's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The notional amount and fair value of the Bank's derivative financial instruments:

Item	Group and Bank					
	As at 31 December 2017			As at 31 December 2016		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives	37,870,590	248,277	(740,671)	34,440,837	498,606	(316,255)
Interest rate derivatives	36,820,000	92,836	(90,445)	30,580,000	163,344	(161,323)
Precious metal derivatives	2,383,127	20,096	(34,686)	2,818,718	6,948	(6,840)
Currency Derivatives	3,725,252	14,488	(14,488)	-	-	-
Total	80,798,969	375,697	(880,290)	67,839,555	668,898	(484,418)

6. Financial assets purchased under resale agreements

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Securities	26,737,512	5,570,413

7. Interest receivables

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Financial assets at fair value through profit or loss	20,101	71,716	20,101	71,716
Held-to-maturity investments	1,826,778	1,215,962	1,826,778	1,215,962
Loans and advances to customers	597,539	559,368	568,010	517,226
Available-for-sale financial assets	868,480	620,298	868,480	620,298
Investments classified as loans and receivables	32,901	28,300	32,901	28,300
Balances and placements with banks and other financial institutions	211,008	81,517	158,508	54,568
Others	136,195	43,091	136,141	43,031
Total	3,693,002	2,620,252	3,610,919	2,551,101

8. Loans and advances to customers

(1) Analysis by types

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Individual loans and advances to customers				
- Individual mortgage loans	83,759,436	73,213,668	82,028,551	72,270,870
- Individual business loans	5,818,532	7,109,629	1,972,517	1,926,576
- Individual consumption loans	2,368,045	2,065,810	1,936,125	1,608,136
- Credit cards	6,275,846	3,149,066	6,275,846	3,149,066
- Others	291,614	562,531	59,521	55,719
Sub-total	98,513,473	86,100,704	92,272,560	79,010,367
Corporate loans and advances to customers				
- Loans	222,592,829	191,772,221	215,984,664	183,071,129
- Discounted bills	52,537,275	60,228,131	52,537,275	60,224,907
Sub-total	275,130,104	252,000,352	268,521,939	243,296,036
Total	373,643,577	338,101,056	360,794,499	322,306,403
Less: Allowance for impairment losses	(12,345,320)	(9,670,686)	(11,096,639)	(8,698,393)
Including: individually assessed	(2,389,264)	(1,806,796)	(1,879,229)	(1,523,367)
collectively assessed	(9,956,056)	(7,863,890)	(9,217,410)	(7,175,026)
Carrying amounts	361,298,257	328,430,370	349,697,860	313,608,010

(2) Analysis by industry sectors

Industry sector	Group				Bank			
	As at 31 December 2017	Proportion (%)	As at 31 December 2016	Proportion (%)	As at 31 December 2017	Proportion (%)	As at 31 December 2016	Proportion (%)
Real estate	70,373,979	18.83	45,321,831	13.40	70,360,959	19.50	45,145,729	14.00
Rental and commercial services	49,671,853	13.29	44,995,615	13.31	49,309,679	13.67	44,542,618	13.82
Manufacturing	39,985,002	10.70	42,763,879	12.65	37,874,808	10.50	40,190,044	12.47
Wholesale and retail	16,873,143	4.52	20,502,333	6.06	15,260,902	4.23	18,538,988	5.75
Transportation, storage and postal service	10,748,951	2.88	7,292,524	2.16	10,579,891	2.93	7,062,430	2.19
Construction	10,648,432	2.85	9,223,432	2.73	10,083,020	2.79	8,483,178	2.63
Farming, forest, herd and fishery	3,883,824	1.04	3,732,187	1.10	2,858,985	0.79	2,408,152	0.75
Hotel and restaurant	2,419,877	0.65	2,844,461	0.84	2,330,778	0.65	2,747,324	0.85
Residential and other services	1,345,824	0.36	1,422,839	0.42	1,272,771	0.35	1,300,089	0.40
Water environmental and public utilities	912,009	0.24	1,082,547	0.32	738,719	0.20	849,854	0.26
Others	15,729,935	4.21	12,590,573	3.73	15,314,152	4.26	11,802,723	3.68
Discount bills	52,537,275	14.06	60,228,131	17.81	52,537,275	14.56	60,224,907	18.69
Corporate loans sub-total	275,130,104	73.63	252,000,352	74.53	268,521,939	74.43	243,296,036	75.49
Individual loans sub-total	98,513,473	26.37	86,100,704	25.47	92,272,560	25.57	79,010,367	24.51
Total	373,643,577	100.00	338,101,056	100.00	360,794,499	100.00	322,306,403	100.00
Less: Allowance for impairment losses	(12,345,320)		(9,670,686)		(11,096,639)		(8,698,393)	
Including: individually assessed	(2,389,264)		(1,806,796)		(1,879,229)		(1,523,367)	
collectively assessed	(9,956,056)		(7,863,890)		(9,217,410)		(7,175,026)	
Carrying amounts	361,298,257		328,430,370		349,697,860		313,608,010	

The economic sector risk concentration analysis for loans and advances to customers is based on the borrowers' industry sectors.

(3) Analysis by collateral patterns

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Unsecured	32,747,986	26,465,677	32,654,546	26,126,101
Guaranteed	52,162,456	46,501,234	47,665,780	40,437,280
Collateral				
Including: Mortgage	219,073,077	189,695,501	210,969,490	180,762,699
Pledge	69,660,058	75,438,644	69,504,683	74,980,323
Total	373,643,577	338,101,056	360,794,499	322,306,403
Less: Allowance for impairment losses	(12,345,320)	(9,670,686)	(11,096,639)	(8,698,393)
Including: individually assessed	(2,389,264)	(1,806,796)	(1,879,229)	(1,523,367)
collectively assessed	(9,956,056)	(7,863,890)	(9,217,410)	(7,175,026)
Carrying amounts	361,298,257	328,430,370	349,697,860	313,608,010

(4) Overdue loans

Item	Group				Total
	As at 31 December 2017				
	Less than 90 days past due	91 to 360 days past due	361 days to 3 years past due	More than 3 years past due	
Unsecured	43,511	21,674	111,217	-	176,402
Guaranteed	360,563	619,999	722,798	29,677	1,733,037
Collateral					
Including: Mortgage	336,661	622,914	1,787,696	846,168	3,593,439
Pledge	7,248	1,422	7,060	-	15,730
Total	747,983	1,266,009	2,628,771	875,845	5,518,608

Item	Group				Total
	As at 31 December 2016				
	Less than 90 days past due	91 to 360 days past due	361 days to 3 years past due	More than 3 years past due	
Unsecured	45,527	32,000	101,451	1,189	180,167
Guaranteed	328,680	385,167	568,135	45,545	1,327,527
Collateral					
Including: Mortgage	353,503	1,189,144	1,797,947	773,298	4,113,892
Pledge	1,000	2,862	27,488	-	31,350
Total	728,710	1,609,173	2,495,021	820,032	5,652,936

Bank					
As at 31 December 2017					
Item	Less than 90 days past due	91 to 360 days past due	361 days to 3 years past due	More than 3 years past due	Total
Unsecured	42,048	17,540	103,977	-	163,565
Guaranteed	251,178	434,150	519,243	26,863	1,231,434
Collateral					
Including: Mortgage	210,710	353,456	1,518,192	837,489	2,919,847
Pledge	-	-	6,998	-	6,998
Total	503,936	805,146	2,148,410	864,352	4,321,844

Bank					
As at 31 December 2016					
Item	Less than 90 days past due	91 to 360 days past due	361 days to 3 years past due	More than 3 years past due	Total
Unsecured	44,028	24,791	98,537	1,189	168,545
Guaranteed	122,565	152,952	328,553	43,108	647,178
Collateral					
Including: Mortgage	199,439	972,595	1,663,177	755,244	3,590,455
Pledge	1,000	-	20,049	-	21,049
Total	367,032	1,150,338	2,110,316	799,541	4,427,227

(5) Allowance for impairment losses

Item	Year ended 31 December 2017			Year ended 31 December 2016		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
As at 1 January	1,806,796	7,863,890	9,670,686	1,839,551	6,450,744	8,290,295
Charge for the year	1,291,122	2,091,846	3,382,968	680,497	1,409,827	2,090,324
Transfer from liability as a result of collection of non-performing assets transferred out (Note 1)	-	320	320	-	3,319	3,319
Recovery of loans previously written off	139,946	-	139,946	149,240	-	149,240
Write-offs	(684,294)	-	(684,294)	(736,755)	-	(736,755)
Unwinding of discount	(164,306)	-	(164,306)	(125,737)	-	(125,737)
As at 31 December	2,389,264	9,956,056	12,345,320	1,806,796	7,863,890	9,670,686

Item	Bank					
	Year ended 31 December 2017			Year ended 31 December 2016		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
As at 1 January	1,523,367	7,175,026	8,698,393	1,668,121	5,862,506	7,530,627
Charge for the year	585,514	2,042,064	2,627,578	418,727	1,309,201	1,727,928
Transfer from liability as a result of collection of non-performing assets transferred out (Note1)	-	320	320	-	3,319	3,319
Recovery of loans previously written off	138,821	-	138,821	149,240	-	149,240
Transfer in (Note:IX.17)	268,130	-	268,130	-	-	-
Write-offs	(506,452)	-	(506,452)	(595,394)	-	(595,394)
Unwinding of discount	(130,151)	-	(130,151)	(117,327)	-	(117,327)
As at 31 December	1,879,229	9,217,410	11,096,639	1,523,367	7,175,026	8,698,393

Note1: In 2005, the PBOC issued special bills to the Bank in exchange for certain non-performing assets of the Bank. The Group derecognised these nonperforming assets with total contractual value of RMB 2,120,914 thousand and recorded them as off-balance-sheet items in accordance with Yin Jian Ban Tong [2003] No.83 "CBRC's notice on accounting for exchange of non-performing assets with special Central Bank bills at rural credit association." The original book value of the derecognised non-performing assets was approximately same as the fair market value of the special Central Bank bills. The special bills issued by the PBOC were negotiated in 1 April 2008.

In accordance with the Yin Jian Ban Tong [2003] No. 83, the repayment proceeds received by the Bank was reclassified as allowance for assets impairment. The Bank recorded RMB320 thousand and RMB3,319 thousand in 2017 and 2016 respectively in allowance for loan impairment.

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Available-for-sale debt instruments				
- Bonds				
Government bonds	8,636,743	7,469,293	8,636,743	7,469,293
Financial institution bonds	18,948,823	7,829,364	18,948,823	7,829,364
Corporate bonds	10,293,877	12,180,878	10,293,877	11,414,887
Interbank negotiable certificates of deposit	6,686,203	10,301,474	6,686,203	10,301,474
Asset-backed securities	81,243	-	81,243	-
- Wealth management products issued by other banks	30,835,554	58,099,272	30,835,554	58,099,272
- Trust and asset management plans	15,193,593	15,818,783	14,520,351	15,172,754
- Securities investment funds	13,082,339	7,891,440	13,082,339	7,891,440
Available-for-sale equity instruments				
- Equity instruments at fair value	1,998,689	2,162,976	1,998,689	2,162,976
- Equity instruments at cost	11,500	11,838	11,500	11,838
Total	105,768,564	121,765,318	105,095,322	120,353,298
Less: allowance for impairment of available-for-sale financial assets Carrying amounts	(554,142)	(975,847)	(554,142)	(975,847)
Carrying amounts	105,214,422	120,789,471	104,541,180	119,377,451

(2) Available-for-sale financial assets at fair value

As at 31 December 2017						
Item	Group			Bank		
	Available-for-sale equity instruments	Available-for-sale debt instruments	Total	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost/Amortised cost	1,313,592	104,352,249	105,665,841	1,313,592	103,682,251	104,995,843
Fair value	1,514,547	103,688,375	105,202,922	1,514,547	103,015,133	104,529,680
Changes in fair value through other comprehensive income	685,097	(593,874)	91,223	685,097	(597,118)	87,979
Allowance for impairment	(484,142)	(70,000)	(554,142)	(484,142)	(70,000)	(554,142)

As at 31 December 2016						
Item	Group			Bank		
	Available-for-sale equity instruments	Available-for-sale debt instruments	Total	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost/Amortised cost	2,006,275	119,471,106	121,477,381	2,006,275	118,071,106	120,077,381
Fair value	1,189,129	119,588,504	120,777,633	1,189,129	118,176,484	119,365,613
Changes in fair value through other comprehensive income	156,701	119,398	276,099	156,701	107,378	264,079
Allowance for impairment	(973,847)	(2,000)	(975,847)	(973,847)	(2,000)	(975,847)

(3) Available-for-sale financial assets at cost

Some unlisted equity instrument investments are measured at cost because the fair value cannot be reliably measured.

10. Held-to-maturity investments

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Government bonds	56,055,036	50,262,260
Financial institution bonds	45,224,108	20,575,002
Corporate bonds	5,147,076	7,201,295
Interbank negotiable certificates of deposit	11,944,167	14,453,705
Asset-backed security	2,686,282	1,834,683
Total	121,056,669	94,326,945
Less: allowance for impairment	(20,637)	-
Carrying amounts	121,036,032	94,326,945

11. Investments classified as loans and receivables

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Government bonds	124,727	126,693
Trust and asset management plans	12,490,473	13,900,418
Total	12,615,200	14,027,111
Less: allowance for impairment	(142,965)	(115,437)
Carrying amounts	12,472,235	13,911,674

12. Long-term equity investments

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Subsidiaries ^(Note VII)			1,077,800	1,077,800
Associates	952,954	907,992	952,954	907,992
Total			2,030,754	1,985,792
Less: allowance for impairment	(5,173)	(66,312)	(331,837)	(66,312)
Carrying amounts	947,781	841,680	1,698,917	1,919,480

Note: on December 31, 2017, the impairment provision of long-term equity investment assets includes the total amount of RMB 326,664 thousand for the impairment provision of the bank's investment in some subsidiaries.

(1) Associates

Investments in associates are listed as follows:

Group and Bank								
Name	Accounting method	Initial investment cost	As at 1 January 2017	Increase/ (Decrease) during the year	As at 31 December 2017	Percentage of shares Held(%)	Percentage of voting rate(%)	Allowance for impairment
Shanghai Jingyi Industry Development Co., Ltd.	Equity method	367,000	66,312	(61,139)	5,173	18.874	18.874	(5,173)
Yangtze United Financial Leasing Co., Ltd.	Equity method	300,000	841,680	106,101	947,781	40.00	40.00	-
Total		667,000	907,992	44,962	952,954			(5,173)

Group and Bank								
Name	Accounting method	Initial investment cost	As at 1 January 2016	Increase/ (Decrease) during the year	As at 31 December 2016	Percentage of shares Held(%)	Percentage of voting rate(%)	Allowance for impairment
Shanghai Jingyi Industry Development Co., Ltd.	Equity method	367,000	103,611	(37,299)	66,312	18.874	18.874	(66,312)
Shanghai Hu Yang Highway Development Co., Ltd.	Equity method	192,500	280,012	(280,012)	-	-	-	-
Yangtze United Financial Leasing Co., Ltd.	Equity method	300,000	301,418	540,262	841,680	40.00	40.00	-
Total		859,500	685,041	222,951	907,992			(66,312)

13. Fixed assets

Item	Group					Total
	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	
Cost						
As at 1 January 2017	5,443,362	96,808	1,656,001	424,402	69,625	7,690,198
Additions	13,950	5,964	13,732	10,711	9,453	53,810
Transfer in from CIP	923,321	-	19,876	4,205	-	947,402
Disposals	(6,763)	(6,897)	(20,426)	(6,493)	(898)	(41,477)
As at 31 December 2017	6,373,870	95,875	1,669,183	432,825	78,180	8,649,933
Accumulated depreciation						
As at 1 January 2017	(1,959,386)	(75,819)	(1,213,254)	(246,488)	(47,891)	(3,542,838)
Charge for the year	(322,446)	(8,924)	(174,758)	(46,586)	(7,504)	(560,218)
Disposals	6,303	6,436	19,373	6,182	851	39,145
As at 31 December 2017	(2,275,529)	(78,307)	(1,368,639)	(286,892)	(54,544)	(4,063,911)
Carrying amounts						
As at 1 January 2017	3,483,976	20,989	442,747	177,914	21,734	4,147,360
As at 31 December 2017	4,098,341	17,568	300,544	145,933	23,636	4,586,022

Item	Group					Total
	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	
Cost						
As at 1 January 2016	5,421,587	103,885	1,617,271	390,914	66,574	7,600,231
Additions	10,999	6,659	22,748	20,013	3,917	64,336
Transfer in from CIP	18,584	-	41,030	19,289	-	78,903
Disposals	(7,808)	(13,736)	(25,048)	(5,814)	(866)	(53,272)
As at 31 December 2016	5,443,362	96,808	1,656,001	424,402	69,625	7,690,198
Accumulated depreciation						
As at 1 January 2016	(1,687,245)	(77,553)	(1,004,215)	(205,257)	(40,416)	(3,014,686)
Charge for the year	(279,609)	(11,186)	(232,546)	(46,800)	(8,306)	(578,447)
Disposals	7,468	12,920	23,507	5,569	831	50,295
As at 31 December 2016	(1,959,386)	(75,819)	(1,213,254)	(246,488)	(47,891)	(3,542,838)
Carrying amounts						
As at 1 January 2016	3,734,342	26,332	613,056	185,657	26,158	4,585,545
As at 31 December 2016	3,483,976	20,989	442,747	177,914	21,734	4,147,360

Bank						
Item	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	Total
Cost						
As at 1 January 2017	5,341,187	71,449	1,616,127	394,035	54,467	7,477,265
Additions	13,950	5,575	12,268	10,145	8,903	50,841
Transfer in from CIP	923,321	-	19,730	4,205	-	947,256
Disposals	(6,763)	(3,036)	(19,921)	(6,437)	(834)	(36,991)
As at 31 December 2017	6,271,695	73,988	1,628,204	401,948	62,536	8,438,371
Accumulated depreciation						
As at 1 January 2017	(1,929,144)	(55,563)	(1,189,101)	(227,685)	(38,487)	(3,439,980)
Charge for the year	(316,079)	(5,406)	(168,080)	(39,146)	(5,105)	(533,816)
Disposals	6,303	2,931	18,966	6,147	791	35,138
As at 31 December 2017	(2,238,920)	(58,038)	(1,338,215)	(260,684)	(42,801)	(3,938,658)
Carrying amounts						
As at 1 January 2017	3,412,043	15,886	427,026	166,350	15,980	4,037,285
As at 31 December 2017	4,032,775	15,950	289,989	141,264	19,735	4,499,713

Bank						
Item	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	Total
Cost						
As at 1 January 2016	5,320,645	77,077	1,581,109	363,599	52,367	7,394,797
Additions	9,766	6,659	19,033	16,943	2,955	55,356
Transfer in from CIP	18,584	-	41,030	19,289	-	78,903
Disposals	(7,808)	(12,287)	(25,045)	(5,796)	(855)	(51,791)
As at 31 December 2016	5,341,187	71,449	1,616,127	394,035	54,467	7,477,265
Accumulated depreciation						
As at 1 January 2016	(1,664,345)	(61,254)	(988,393)	(192,637)	(33,737)	(2,940,366)
Charge for the year	(272,267)	(6,238)	(224,212)	(40,604)	(5,572)	(548,893)
Disposals	7,468	11,929	23,504	5,556	822	49,279
As at 31 December 2016	(1,929,144)	(55,563)	(1,189,101)	(227,685)	(38,487)	(3,439,980)
Carrying amounts						
As at 1 January 2016	3,656,300	15,823	592,716	170,962	18,630	4,454,431
As at 31 December 2016	3,412,043	15,886	427,026	166,350	15,980	4,037,285

14. Construction in progress

(1) Details of construction in progress

Item	Group					
	As at 31 December 2017			As at 31 December 2016		
	Book value	Allowance for impairment	Carrying amounts	Book value	Allowance for impairment	Carrying amounts
Renovation of the head office building	1,743,901	(485,801)	1,258,100	1,673,229	(485,801)	1,187,428
Zhangjiang business processing centre	12,966	-	12,966	787,704	-	787,704
Renovation of Longbai segment				99,105	-	99,105
Business premises of Yingzhong branch	35,837	-	35,837	34,700	-	34,700
Business premises of North Xizang Road branch	17,112	-	17,112	16,223	-	16,223
Business premises of Hunan Shuangfeng Village Bank Co., Ltd.	14,548	-	14,548	14,454	-	14,454
Business premises of Gong Road branch	14,527	-	14,527	13,599	-	13,599
Others	68,092	-	68,092	91,746	-	91,746
Total	1,906,983	(485,801)	1,421,182	2,730,760	(485,801)	2,244,959

Item	Bank					
	As at 31 December 2017			As at 31 December 2016		
	Book value	Allowance for impairment	Carrying amounts	Book value	Allowance for impairment	Carrying amounts
Renovation of the head office building	1,743,901	(485,801)	1,258,100	1,673,229	(485,801)	1,187,428
Zhangjiang business processing centre	12,966	-	12,966	787,704	-	787,704
Renovation of Longbai segment				99,105	-	99,105
Business premises of Yingzhong branch	35,837	-	35,837	34,700	-	34,700
Business premises of North Xizang Road branch				16,223	-	16,223
Business premises of North Xizang Road branch	17,112	-	17,112			
Business premises of Gong Road branch	14,527	-	14,527	13,599	-	13,599
Others	61,333	-	61,333	90,778	-	90,778
Total	1,885,676	(485,801)	1,399,875	2,715,338	(485,801)	2,229,537

(2) Movement of construction in progress

Item	Group			
	Building	Electronic and machinery	Others	Total
As at 1 January 2017	2,102,368	330,140	298,252	2,730,760
Additions	153,277	20,167	52,135	225,579
Transfer to fixed assets	(923,321)	(24,081)	-	(947,402)
Transfer to other assets	(595)	-	(101,359)	(101,954)
As at 31 December 2017	1,331,729	326,226	249,028	1,906,983
Less: allowance for impairment	(485,801)	-	-	(485,801)
Carrying amounts	845,928	326,226	249,028	1,421,182

Item	Group			
	Building	Electronic and machinery	Others	Total
As at 1 January 2016	2,029,117	253,759	292,911	2,575,787
Additions	94,132	136,866	67,573	298,571
Transfer to fixed assets	(18,584)	(60,319)	-	(78,903)
Transfer to other assets	(2,297)	(166)	(62,232)	(64,695)
As at 31 December 2016	2,102,368	330,140	298,252	2,730,760
Less: allowance for impairment	(485,801)	-	-	(485,801)
Carrying amounts	1,616,567	330,140	298,252	2,244,959

Item	Bank			
	Building	Electronic and machinery	Others	Total
As at 1 January 2017	2,087,032	330,054	298,252	2,715,338
Additions	147,646	19,172	52,135	218,953
Transfer to fixed assets	(923,321)	(23,935)	-	(947,256)
Transfer to other assets	-	-	(101,359)	(101,359)
As at 31 December 2017	1,311,357	325,291	249,028	1,885,676
Less: allowance for impairment	(485,801)	-	-	(485,801)
Carrying amounts	825,556	325,291	249,028	1,399,875

Item	Bank			
	Building	Electronic and machinery	Others	Total
As at 1 January 2016	2,026,260	253,595	292,911	2,572,766
Additions	79,356	136,778	67,573	283,707
Transfer to fixed assets	(18,584)	(60,319)	-	(78,903)
Transfer to other assets	-	-	(62,232)	(62,232)
As at 31 December 2016	2,087,032	330,054	298,252	2,715,338
Less: allowance for impairment	(485,801)	-	-	(485,801)
Carrying amounts	1,601,231	330,054	298,252	2,229,537

15. Deferred tax assets

(1) Deferred tax assets and deferred tax liabilities that are not presented at the net amount before offset

Item	Group			
	Deductible temporary differences		Deferred tax assets	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Allowances for impairment losses	10,566,759	8,945,063	2,634,659	2,183,427
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	511,269	-	127,817	-
Others	1,402,990	1,274,555	350,600	317,647
Total	12,481,018	10,219,618	3,113,076	2,501,074

Item	Group			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	-	(163,469)	-	(40,867)
Changes in fair value of available-for-sale financial assets	(91,223)	(276,099)	(22,805)	(69,025)
Total	(91,223)	(439,568)	(22,805)	(109,892)

Item	Bank			
	Deductible temporary differences		Deferred tax assets	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Allowances for impairment losses	10,165,996	8,000,569	2,541,499	2,000,141
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	511,269	-	127,817	-
Others	1,394,567	1,256,819	348,642	314,206
Total	12,071,832	9,257,388	3,017,958	2,314,347

Item	Bank			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	-	(163,469)	-	(40,867)
Changes in fair value of available-for-sale financial assets	(87,979)	(264,079)	(21,995)	(66,020)
Total	(87,979)	(427,548)	(21,995)	(106,887)

(2) *Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset*

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Deferred tax assets	3,090,271	2,391,182	2,995,963	2,207,460
Deferred tax liabilities	-	-	-	-
Total	3,090,271	2,391,182	2,995,963	2,207,460

16. Other assets

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Amounts pending for settlement	6,774,457	-	6,774,457	-
Other receivables and prepayments (1)	161,288	167,623	131,913	130,162
Foreclosed asset (2)	2,704	213,994	724	212,013
Long-term prepaid expenses (3)	160,038	186,558	101,157	107,762
Intangible assets(4)	914,282	865,204	913,596	864,955
Total	8,012,769	1,433,379	7,921,847	1,314,892

(1) Other receivables and prepayments

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Intra-city bills under collection	13,970	8,713	13,970	8,713
Prepaid legal expenses	44,817	45,842	33,441	34,250
Rental deposits	16,236	13,521	14,217	12,599
Other receivables	86,265	99,547	70,285	74,600
Total	161,288	167,623	131,913	130,162

Note: Aging analysis of other receivables

Aging	Group				Bank			
	As at 31 December 2017	Percentage (%)	As at 31 December 2016	Percentage (%)	As at 31 December 2017	Percentage (%)	As at 31 December 2016	Percentage (%)
Within 1 year	103,611	87.99	100,744	94.83	80,355	85.04	75,797	93.25
1 to 2 years	8,904	7.56	1,008	0.95	8,904	9.42	1,008	1.24
2 to 3 years	921	0.78	1,059	1.00	921	0.97	1,059	1.30
Above 3 years	4,316	3.67	3,423	3.22	4,316	4.57	3,423	4.21
Total	117,752	100.00	106,234	100.00	94,496	100.00	81,287	100.00
Less: allowance for doubtful accounts	(31,487)		(6,687)		(24,211)		(6,687)	
Carrying amounts	86,265		99,547		70,285		74,600	

(2) Foreclosed assets

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Land use rights	-	138,719	-	136,738
Buildings	1,980	74,196	-	74,196
Machinery	-	356	-	356
Others	4,921	24,130	4,921	24,130
Total	6,901	237,401	4,921	235,420
Less: allowance for impairment	(4,197)	(23,407)	(4,197)	(23,407)
Carrying amounts	2,704	213,994	724	212,013

(3) Long-term prepaid expenses

Item	2017							
	Group				Bank			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Leasehold improvement	164,068	17,743	52,896	128,915	92,663	15,877	33,495	75,045
Prepaid rental expenses	15,933	263	5,657	10,539	10,151	-	3,606	6,545
Network construction expenses	2,761	1,841	2,170	2,432	2,528	1,841	2,069	2,300
Others	3,796	16,994	2,638	18,152	2,420	16,829	1,982	17,267
Total	186,558	36,841	63,361	160,038	107,762	34,547	41,152	101,157

Item	2016							
	Group				Bank			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Leasehold improvement	196,139	29,581	61,652	164,068	125,883	6,883	40,103	92,663
Prepaid rental expenses	21,897	-	5,964	15,933	13,848	-	3,697	10,151
Network construction expenses	5,688	-	2,927	2,761	5,338	-	2,810	2,528
Others	6,114	368	2,686	3,796	2,903	368	851	2,420
Total	229,838	29,949	73,229	186,558	147,972	7,251	47,461	107,762

(4) Intangible assets

Item	Group			Bank		
	Land use right	Software and others	Total	Land use right	Software and others	Total
Cost						
As at 1 January 2017	517,248	673,292	1,190,540	517,248	672,821	1,190,069
Additions	74,902	57,360	132,262	74,902	56,819	131,721
Disposals	(7,869)	-	(7,869)	(7,869)	-	(7,869)
As at 31 December 2017	584,281	730,652	1,314,933	584,281	729,640	1,313,921
Accumulated amortisation						
As at 1 January 2017	(58,439)	(266,897)	(325,336)	(58,439)	(266,675)	(325,114)
Charge of the year	(13,413)	(63,374)	(76,787)	(13,413)	(63,270)	(76,683)
Disposals	1,472	-	1,472	1,472	-	1,472
As at 31 December 2017	(70,380)	(330,271)	(400,651)	(70,380)	(329,945)	(400,325)
Carrying amounts						
As at 1 January 2017	458,809	406,395	865,204	458,809	406,146	864,955
As at 31 December 2017	513,901	400,381	914,282	513,901	399,695	913,596

Item	Group			Bank		
	Land use right	Software and others	Total	Land use right	Software and others	Total
Cost						
As at 1 January 2016	523,714	576,793	1,100,507	523,714	576,392	1,100,106
Additions	-	96,499	96,499	-	96,429	96,429
Disposals	(6,466)	-	(6,466)	(6,466)	-	(6,466)
As at 31 December 2016	517,248	673,292	1,190,540	517,248	672,821	1,190,069
Accumulated amortisation						
As at 1 January 2016	(46,108)	(204,472)	(250,580)	(46,108)	(204,329)	(250,437)
Charge of the year	(12,879)	(62,425)	(75,304)	(12,879)	(62,346)	(75,225)
Disposals	548	-	548	548	-	548
As at 31 December 2016	(58,439)	(266,897)	(325,336)	(58,439)	(266,675)	(325,114)
Carrying amounts						
As at 1 January 2016	477,606	372,321	849,927	477,606	372,063	849,669
As at 31 December 2016	458,809	406,395	865,204	458,809	406,146	864,955

17. Allowance for assets impairment

Item	Group						Closing balance
	Opening balance	Charge of the year	Reversal	Transfer out	Write off	Recovery of loans previously written off	
Due from banks and other financial institutions	-	2,182	-	-	-	-	2,182
Loans and advances to customers	9,670,686	3,382,968	-	(163,986)	(684,294)	139,946	12,345,320
Available-for-sale financial assets	975,847	68,000	-	(489,705)	-	-	554,142
Held-to-maturity investment	-	20,637	-	-	-	-	20,637
Investments classified as loans and receivables	115,437	27,528	-	-	-	-	142,965
Long-term equity investments	66,312	-	-	(61,139)	-	-	5,173
Other receivables	6,687	31,997	-	-	(7,197)	-	31,487
Construction in progress	485,801	-	-	-	-	-	485,801
Foreclosed assets	23,407	-	-	(19,210)	-	-	4,197
Total	11,344,177	3,533,312	-	(734,040)	(691,491)	139,946	13,591,904

Item	Group						Closing balance
	Opening balance	Charge of the year	Reversal	Transfer out	Write off	Recovery of loans previously written off	
Loans and advances to customers	8,290,295	2,090,324	-	(122,418)	(736,755)	149,240	9,670,686
Available-for-sale financial assets	973,847	2,000	-	-	-	-	975,847
Investments classified as loans and receivables	43,301	72,136	-	-	-	-	115,437
Long-term equity investments	103,611	-	-	(37,299)	-	-	66,312
Other receivables	6,687	-	-	-	-	-	6,687
Construction in progress	485,801	-	-	-	-	-	485,801
Foreclosed assets	25,007	-	-	(1,600)	-	-	23,407
Total	9,928,549	2,164,460	-	(161,317)	(736,755)	149,240	11,344,177

Bank							
2017							
Item	Opening balance	Charge of the year	Reversal	Transfer out	Write off	Recovery of loans previously written off	Closing balance
Due from banks and other financial institutions	-	2,182	-	-	-	-	2,182
Loans and advances to customers (Note)	8,698,393	2,627,578	268,130	(129,831)	(506,452)	138,821	11,096,639
Available-for-sale financial assets	975,847	68,000	-	(489,705)	-	-	554,142
Held-to-maturity investment	-	20,637	-	-	-	-	20,637
Investments classified as loans and receivables	115,437	27,528	-	-	-	-	142,965
Long-term equity investments	66,312	326,664	-	(61,139)	-	-	331,837
Other receivables	6,687	17,524	-	-	-	-	24,211
Construction in progress	485,801	-	-	-	-	-	485,801
Foreclosed assets	23,407	-	-	(19,210)	-	-	4,197
Total	10,371,884	3,090,113	268,130	(699,885)	(506,452)	138,821	12,662,611

Bank							
2016							
Item	Opening balance	Charge of the year	Reversal	Transfer out	Write off	Recovery of loans previously written off	Closing balance
Loans and advances to customers	7,530,627	1,727,928	-	(114,008)	(595,394)	149,240	8,698,393
Available-for-sale financial assets	973,847	2,000	-	-	-	-	975,847
Investments classified as loans and receivables	43,301	72,136	-	-	-	-	115,437
Long-term equity investments	103,611	-	-	(37,299)	-	-	66,312
Other receivables	6,687	-	-	-	-	-	6,687
Construction in progress	485,801	-	-	-	-	-	485,801
Foreclosed assets	25,007	-	-	(1,600)	-	-	23,407
Total	9,168,881	1,802,064	-	(152,907)	(595,394)	149,240	10,371,884

Note: In September 2017, the Banks and their controlling Shandong Rizhao Economic Development District Village Bank Co., LTD., Shandong Taian County Village Bank Co., LTD., Shandong Liao City Yanggu District Village Bank co., LTD., Shandong Ningyang County Village Bank co., LTD., Shandong Dongping County Village Bank co., LTD. (hereinafter referred to as the "five village Banks") respectively signed the non-performing assets restructuring dissolve the contract, the transferee five part of village and town bank of credit assets and guarantee rights (i.e., from the creditor's rights) and other related rights, accepting loan balance total RMB327 million, the corresponding loan impairment balance totals RMB268 million.

18. Due to banks and other financial institutions

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Deposits from domestic banks	8,506,484	23,956,351	13,517,007	29,460,938
Deposits from other domestic financial institutions	1,995,669	8,464,306	1,995,669	8,464,306
Total	10,502,153	32,420,657	15,512,676	37,925,244

19. Placements from banks and other financial institutions

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Placements from domestic banks	29,359,482	7,406,388
Placements from overseas banks	56,167	135,730
Total	29,415,649	7,542,118

20. Assets sold under repurchase agreement

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Securities	44,494,473	31,649,530
Bills	7,766,978	3,068,637
Total	52,261,451	34,718,167

21. Customer deposits

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Demand deposits				
Corporate	220,146,737	195,963,634	206,657,061	180,152,557
Individual	45,986,411	45,126,423	43,147,928	42,150,514
Time deposits				
Corporate	92,462,749	83,469,365	88,561,481	79,126,242
Individual	212,638,265	190,585,113	205,432,161	183,635,075
Pledged deposits held as collateral	7,915,100	9,400,059	7,577,481	9,062,166
Other deposits	29,931,960	29,230,097	29,893,740	29,224,568
Total	609,081,222	553,774,691	581,269,852	523,351,122

22. Employee benefits payables

(1) Employee benefits payables are listed as follows:

Item	Group							
	2017				2016			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term salary	1,639,057	3,269,235	2,615,052	2,293,240	1,574,417	2,975,690	2,911,050	1,639,057
Post-employment benefits - defined contribution plan	151	467,820	467,682	289	5,631	423,131	428,611	151
Defined benefit plan	52,443	24,443	1,515	75,371	351,034	105,813	404,404	52,443
Total	1,691,651	3,761,498	3,084,249	2,368,900	1,931,082	3,504,634	3,744,065	1,691,651

Item	Bank							
	2017				2016			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term salary	1,618,832	3,075,090	2,426,056	2,267,866	1,555,280	2,781,855	2,718,303	1,618,832
Post-employment benefits - defined contribution plan	-	450,001	450,001	-	5,406	405,352	410,758	-
Defined benefit plan	52,443	24,443	1,515	75,371	351,034	105,813	404,404	52,443
Total	1,671,275	3,549,534	2,877,572	2,343,237	1,911,720	3,293,020	3,533,465	1,671,275

(2) Short-term salary

Item	Group							
	2017				2016			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	1,638,904	2,798,487	2,144,348	2,293,043	1,571,255	2,496,832	2,429,183	1,638,904
Employee services and benefits	-	92,535	92,535	-	-	92,794	92,794	-
Social insurance	43	165,449	165,308	184	3,080	144,662	147,699	43
Of which: Medical insurance	38	139,428	139,287	179	2,713	119,269	121,944	38
Work-related injury insurance	2	3,023	3,024	1	123	2,467	2,588	2
Maternity insurance	3	13,067	13,066	4	244	10,777	11,018	3
Others	-	9,931	9,931	-	-	12,149	12,149	-
Housing funds	110	158,792	158,889	13	60	174,091	174,041	110
Labour union fee and staff education expenses	-	53,972	53,972	-	22	67,311	67,333	-
Total	1,639,057	3,269,235	2,615,052	2,293,240	1,574,417	2,975,690	2,911,050	1,639,057

Item	Bank							
	2017				2016			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	1,618,832	2,641,919	1,993,015	2,267,736	1,552,278	2,336,956	2,270,402	1,618,832
Employee services and benefits	-	80,138	80,138	-	-	82,731	82,731	-
Social insurance	-	156,801	156,671	130	3,002	137,030	140,032	-
Of which: Medical insurance	-	131,881	131,751	130	2,641	112,557	115,198	-
Work-related injury insurance	-	2,574	2,574	-	121	2,084	2,205	-
Maternity insurance	-	12,415	12,415	-	240	10,240	10,480	-
Others	-	9,931	9,931	-	-	12,149	12,149	-
Housing funds	-	146,039	146,039	-	-	161,866	161,866	-
Labour union fee and staff education expenses	-	50,193	50,193	-	-	63,272	63,272	-
Total	1,618,832	3,075,090	2,426,056	2,267,866	1,555,280	2,781,855	2,718,303	1,618,832

(3) Defined contribution plan

Item	Group							
	2017				2016			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	142	459,593	459,451	284	5,249	410,436	415,543	142
Unemployment insurance	9	8,227	8,231	5	382	12,695	13,068	9
Total	151	467,820	467,682	289	5,631	423,131	428,611	151

Item	Bank							
	2017				2016			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	-	443,168	443,168	-	5,044	394,310	399,354	-
Unemployment insurance	-	6,833	6,833	-	362	11,042	11,404	-
Total	-	450,001	450,001	-	5,406	405,352	410,758	-

(4) Defined benefit plan

Item	Group							
	2017				2016			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Retirement benefit plan	52,443	24,443	1,515	75,371	351,034	105,813	404,404	52,443

Item	Bank							
	2017				2016			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Retirement benefit plan	52,443	24,443	1,515	75,371	351,034	105,813	404,404	52,443

23. Taxes payable

Item	Group							
	2017				2016			
	Opening balance	Taxes payable during the year	Taxes paid during the year	Closing balance	Opening balance	Taxes payable during the year	Taxes paid during the year	Closing balance
Enterprise income tax	705,213	2,370,466	1,960,446	1,115,233	715,432	1,793,157	1,803,376	705,213
Individual income tax	119,887	559,006	646,465	32,428	38,686	466,198	384,997	119,887
Value-added tax	202,279	1,043,572	988,723	257,128	-	641,479	439,200	202,279
Business tax					223,187	269,054	492,241	-
Surcharges	25,582	126,649	121,849	30,382	24,435	108,764	107,617	25,582
Property tax	17	35,623	35,623	17	17	32,667	32,667	17
Land use tax	1	1,988	1,988	1	1	1,591	1,591	1
Vehicle and vessel use tax	-	225	225	-	-	231	231	-
Others	520	12,693	13,081	132	145	7,291	6,916	520
Total	1,053,499	4,150,222	3,768,400	1,435,321	1,001,903	3,320,432	3,268,836	1,053,499

Item	Bank							
	2017				2016			
	Opening balance	Taxes payable during the year	Taxes paid during the year	Closing balance	Opening balance	Taxes payable during the year	Taxes paid during the year	Closing balance
Enterprise income tax	673,634	2,214,330	1,840,775	1,047,189	653,380	1,668,431	1,648,177	673,634
Individual income tax	118,580	547,481	635,399	30,662	37,142	451,980	370,542	118,580
Value-added tax	193,400	1,014,675	957,428	250,647	-	602,781	409,381	193,400
Business tax					214,945	254,667	469,612	-
Surcharges	25,041	123,574	118,872	29,743	23,554	104,689	103,202	25,041
Property tax	-	35,017	35,017	-	-	32,188	32,188	-
Land use tax	-	1,980	1,980	-	-	1,577	1,577	-
Vehicle and vessel use tax	-	173	173	-	-	171	171	-
Others	-	12,230	12,230	-	-	6,196	6,196	-
Total	1,010,655	3,949,460	3,601,874	1,358,241	929,021	3,122,680	3,041,046	1,010,655

24. Interest payables

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Customer deposits, banks and other financial institutions	11,540,710	11,189,727	11,174,985	10,903,494
Debt securities issued	270,389	62,010	270,389	62,010
Others	61,977	596	61,977	596
Total	11,873,076	11,252,333	11,507,351	10,966,100

25. Debt securities issued

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Financial debt ^(Note 1)	10,000,000	3,000,000
Interbank negotiable certificates of deposit ^(Note 2)	13,099,042	15,272,810
Total	23,099,042	18,272,810

Note 1: The Bank issued RMB3 billion 10-year fixed rate subordinated bond with interest rate of 4.80% on 15 August 2017, redeemable at the end of year 5.

The Bank issued RMB4 billion 10-year fixed rate subordinated bond with interest rate of 4.70% on 7 March 2017, redeemable at the end of year 5.

The Bank issued RMB3 billion 10-year fixed rate subordinated bond with interest rate of 3.95% on 23 June 2016, redeemable at the end of year 5.

Note 2: The interbank negotiable certificates of deposit was issued at National Interbank Funding Centre, measured at amortised cost, and the interest rate of which is ranging from 3.90% to 5.15%.

26. Contingent liabilities

Item	As at 31 December 2017	As at 31 December 2016
Outstanding litigation	16,021	-

Note: The pending litigation is mainly related to the Bank holding subsidiary of Yunnan Kunming Economic Development District Ala Shanghai Village Bank Co., Ltd., as the defendant in the case of deposit disputes. See the Notes XI.1 for details.

27. Other liabilities

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Funds under settlement process	979,889	622,214	963,281	597,732
Education funds	33,072	51,418	33,072	51,418
Construction expenses	37,508	12,088	37,508	12,088
Others	280,970	247,329	273,180	240,688
Total	1,331,439	933,049	1,307,041	901,926

28. Capital reserve

Name of shareholders	As at 31 December 2016		Increase during the year	Decrease during the year	As at 31 December 2017	
	Amount invested	Percentage (%)			Amount invested	Percentage (%)
ANZ Banking (Group) Co., Ltd. (Note 1)	1,000,000	20.00	600,000	1,600,000	-	-
Shanghai State-owned Assets management Co., Ltd.	500,000	10.00	300,000	-	800,000	10.00
China Ocean Shipping Group Co. Ltd.	-	-	800,000	-	800,000	10.00
Baoshan Iron & Steel Co., Ltd.	-	-	800,000	-	800,000	10.00
China Pacific Life Insurance Co., Ltd.	350,000	7.00	210,000	-	560,000	7.00
Shanghai International (Group) Co., Ltd.	300,921	6.02	180,553	-	481,474	6.02
Shenzhen Lenovo Science and Technology Park Co., Ltd.	286,554	5.73	171,932	-	458,486	5.73
Others	2,562,525	51.25	1,537,515	-	4,100,040	51.25
Total	5,000,000	100.00	4,600,000	1,600,000	8,000,000	100.00

Note 1: On 18 September 2017, ANZ Banking (Group) Co., Ltd. signed a share transfer agreement with China Ocean Shipping Group Co. Ltd. and Baoshan Iron & Steel Co., Ltd., to sell its holdings of 20% stake of the Bank. The above transfer has been approved by the CBRC, Shanghai office on 31 October 2017 (Hu Yin Jian Fu [2017] No.499) and completed the shareholding change on 16 December 2017.

29. Capital reserve

Item	Group and Bank							
	2017				2016			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Capital surplus ^(Note)	8,110,992	-	(3,000,000)	5,110,992	8,110,992	-	-	8,110,992
Others	66	-	-	66	66	-	-	66
Total	8,111,058	-	(3,000,000)	5,111,058	8,111,058	-	-	8,111,058

Note: According to the Bank second session of the third session of the Board of Directors (SRCB Done June [2017] No. 6), the Bank transferred 3 billion Capital reserve of this year to all shareholders, each share has the par value of 1 yuan per share. The above mentioned shares have been audited in the capital verification report No. 00310 (17) by Deloitte Touche Tohmatsu.

30. Other comprehensive income

(1) Items in other comprehensive income

Item	Group					
	Year ended 31 December 2017			Year ended 31 December 2016		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
1. Other comprehensive income items which will not be reclassified to profit and loss						
Changes in remeasurement of defined benefit plan	(32,590)	8,147	(24,443)	-	-	-
2. Other comprehensive income items which will be reclassified subsequently to profit or loss						
Changes in fair value of available-for-sale financial assets	(184,876)	46,220	(138,656)	(766,759)	191,689	(575,070)
Total	(217,466)	54,367	(163,099)	(766,759)	191,689	(575,070)
Of which: Other comprehensive income attributable to the Bank's shareholders	(213,170)	53,293	(159,877)	(772,729)	193,182	(579,547)
Other comprehensive income attributable to non-controlling interests	(4,296)	1,074	(3,222)	5,970	(1,493)	4,477

Item	Bank					
	Year ended 31 December 2017			Year ended 31 December 2016		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
1. Other comprehensive income items which will not be reclassified to profit and loss						
Changes in remeasurement of defined benefit plan	(32,591)	8,148	(24,443)	-	-	-
2. Other comprehensive income items which will be reclassified subsequently to profit or loss						
Changes in fair value of available-for-sale financial assets	(176,100)	44,025	(132,075)	(778,779)	194,694	(584,085)
Total	(208,691)	52,173	(156,518)	(778,779)	194,694	(584,085)

(2) Movement of other comprehensive income

Item	Group							
	2017				2016			
	Opening balance	Increase/(decrease) during the year	Transfer out	Closing balance	Opening balance	Increase/(decrease) during the year	Transfer out	Closing balance
Changes in remeasurement of defined benefit plan	(5,019)	(24,443)	-	(29,462)	(5,019)	-	-	(5,019)
Changes in fair value of available-for-sale financial assets	207,074	(138,656)	-	68,418	782,144	(575,070)	-	207,074
Total	202,055	(163,099)	-	38,956	777,125	(575,070)	-	202,055
Of which: Other comprehensive income attributable to the Bank's shareholders	197,578	(159,877)	-	37,701	777,125	(579,547)	-	197,578
Other comprehensive income attributable to non-controlling interests	4,477	(3,222)	-	1,255	-	4,477	-	4,477

Item	Bank							
	2017				2016			
	Opening balance	Increase/(decrease) during the year	Transfer out	Closing balance	Opening balance	Increase/(decrease) during the year	Transfer out	Closing balance
Changes in remeasurement of defined benefit pension plans	(5,019)	(24,443)	-	(29,462)	(5,019)	-	-	(5,019)
Changes in fair value of available-for-sale financial assets	198,059	(132,075)	-	65,984	782,144	(584,085)	-	198,059
Total	193,040	(156,518)	-	36,522	777,125	(584,085)	-	193,040

31. Surplus reserve

Item	Group							
	2017				2016			
	Opening balance	Increase during the year	Decease during the year	Closing balance	Opening balance	Increase during the year	Decease during the year	Closing balance
Statutory reserve	3,287,206	604,041	-	3,891,247	2,724,825	562,381	-	3,287,206
Discretionary reserve	7,420,258	1,351,637	-	8,771,895	6,216,786	1,203,472	-	7,420,258
Total	10,707,464	1,955,678	-	12,663,142	8,941,611	1,765,853	-	10,707,464

Item	Bank							
	2017				2016			
	Opening balance	Increase during the year	Decease during the year	Closing balance	Opening balance	Increase during the year	Decease during the year	Closing balance
Statutory reserve	3,227,961	584,976	-	3,812,937	2,681,353	546,608	-	3,227,961
Discretionary reserve	7,395,360	1,331,266	-	8,726,626	6,208,744	1,186,616	-	7,395,360
Total	10,623,321	1,916,242	-	12,539,563	8,890,097	1,733,224	-	10,623,321

In accordance with the Company Law and the Company's Articles of Association, the Bank should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Bank can cease appropriation when the statutory reserve accumulated to more than 50% of the registered capital. The statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. According to the resolution of the General Meeting of Shareholders on 24 May 2017, the Bank appropriated 10% of net profit of 2016, amounting to RMB584,976 thousand for the year 2017 (2016: RMB546,608 thousand) to the statutory reserve.

The Bank makes appropriations to discretionary reserve after making appropriation to statutory reserve. Approved by the General Meeting of Shareholders, discretionary reserve could be used to make up for prior year's losses or transfer to share capital upon approval by Shareholders. According to the resolution of the General Meeting of Shareholders on 24 May 2017, the Bank appropriated, RMB1,331,266 thousand as discretionary reserve (2016: RMB1,186,616 thousand).

32. General Reserve

Item	Group							
	2017				2016			
	Opening balance	Increase during the year	Decease during the year	Closing balance	Opening balance	Increase during the year	Decease during the year	Closing balance
General Reserve	6,527,967	1,669,286	-	8,197,253	5,184,169	1,343,798	-	6,527,967

Item	Bank							
	2017				2015			
	Opening balance	Increase during the year	Decease during the year	Closing balance	Opening balance	Increase during the year	Decease during the year	Closing balance
General Reserve	6,356,583	1,631,679	-	7,988,262	5,070,355	1,286,228	-	6,356,583

Pursuant to the "Regulation on management of Financial Institutions for Reserves" (Cai Jin [2012] No.20) by MOF, the balance of general reserve should not be less than 1.5% of the aggregate amount of all risk assets in principle.

33. Retained earnings

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Opening balance	15,678,853	13,886,013	15,529,315	13,699,004
Add: Net profit attributable to the Bank's shareholders	6,769,082	5,902,491	6,585,534	5,849,763
Less: Appropriation to statutory reserve	565,911	562,381	584,976	546,608
Appropriation to discretionary reserve	1,389,767	1,203,472	1,331,266	1,186,616
Appropriation to general reserve	1,669,286	1,343,798	1,631,679	1,286,228
Dividends paid	1,150,000	1,000,000	1,150,000	1,000,000
Closing balance	17,672,971	15,678,853	17,416,928	15,529,315

In accordance with the resolution at the general meeting of shareholders dated on 24 May 2017, the Bank declares a cash dividend in the amount of RMB 1,150,000 thousand (2016: RMB1,000,000 thousand).

In accordance with the resolution at the Board of Directors' meeting dated on 28 March 2018, the directors proposed the following appropriations to the Bank's net profit of 2017.

In accordance with the 2017 annual after-tax profit legal statements, the Bank made statutory reserve of RMB658,553 thousand, made discretionary reserve of RMB1,589,754 thousand and made general reserve of RMB860,833 thousand. The Bank distributed cash dividend

of RMB10 (included tax) per common stock, with a total of RMB1,280,000 thousand (included tax). The plan is subject to a final review by the annual general meeting.

34. Net interest income

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Interest income				
- Due from banks and other financial institutions	615,333	284,504	259,142	127,859
- Deposits with central bank	1,390,851	1,200,344	1,347,938	1,159,196
- Placement with other banks and financial assets purchased under resale agreement	2,694,590	2,104,823	2,694,590	2,104,823
- Loans and advances to customers				
of which: corporate loans and advances	10,008,734	9,358,156	9,504,325	8,759,334
individual loans	4,039,729	3,195,064	3,590,084	2,683,735
discount bills	2,457,660	2,818,102	2,457,596	2,817,984
- Investment securities and others	6,304,234	4,338,312	6,304,234	4,338,312
Sub-total	27,511,131	23,299,305	26,157,909	21,991,243
Interest expense				
- Borrowings from central bank	(107,324)	(89,873)	(97,324)	(76,769)
- Due to banks and other financial institutions	(505,401)	(1,578,262)	(703,456)	(1,709,611)
- Placements from banks and other financial institutions and assets sold under repurchase agreement	(2,200,763)	(1,109,105)	(2,200,763)	(1,109,105)
- Customer deposits	(10,113,372)	(9,331,550)	(9,720,338)	(8,950,563)
- Debt securities issued	(2,215,699)	(510,782)	(2,215,699)	(510,782)
- Others	(50,769)	(58,925)	(50,769)	(58,924)
Sub-total	(15,193,328)	(12,678,497)	(14,988,349)	(12,415,754)
Net interest income	12,317,803	10,620,808	11,169,560	9,575,489
Of which: unwinding of discount	164,306	125,737	130,151	117,327

35. Net fee and commission income

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Fee and commission income				
Agency services	1,600,854	1,300,780	1,596,699	1,297,236
Bank card services	635,536	332,900	635,437	332,800
Consultancy and advisory services	490,308	223,999	490,147	223,836
Electronic banking services	355,146	319,969	355,088	319,906
Settlement and clearing services	214,121	221,722	213,956	221,312
Guarantee and commitment services	32,124	23,993	32,102	23,979
Asset trusteeship	1,020	2,941	1,020	2,941
Others	115,323	71,156	176,925	170,211
Sub-total	3,444,432	2,497,460	3,501,374	2,592,221

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Fee and commission expense				
Fund collecting commissioning services	(83,952)	(69,983)	(76,378)	(63,511)
Settlement and clearing services	(62,561)	(61,458)	(62,561)	(61,458)
Others	(119,882)	(33,172)	(115,008)	(25,107)
Sub-total	(266,395)	(164,613)	(253,947)	(150,076)
Net fee and commission income	3,178,037	2,332,847	3,247,427	2,442,145

36. Investment income

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Financial asset at fair value through profit or loss and derivative instruments	(567,283)	(53,729)	(567,283)	(53,729)
Available-for-sale financial assets	2,353,626	2,216,269	2,315,335	2,164,662
Investments classified as loans and receivables	66,977	131,451	66,977	131,451
Long-term equity investment recognised by equity method	106,102	40,261	106,102	40,261
Long-term equity investment recognised by cost method			27,285	34,425
Capital reduction of Long-term equity investments	216,563	132,117	216,563	132,117
Disposal of Long-term equity investments	-	(55,012)	-	(55,012)
Precious metals	(29,137)	25,408	(29,137)	25,408
Total	2,146,848	2,436,765	2,135,842	2,419,583

37. Other income

Item	Group and Bank	
	Year ended 31 December 2017	Year ended 31 December 2016
Government grants	118,165	-

Note: The government grants mainly includes the incremental grants for agricultural loans and the targeted grants of rural financial institutions which are received by the Bank's subsidiary in this year.

38. Taxes and levies

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Business tax	-	269,054	-	254,667
Urban construction tax and education surcharge	126,649	100,067	123,574	96,185
Others	48,497	49,679	47,368	48,191
Total	175,146	418,800	170,942	399,043

39. General and administrative expenses

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Staff costs	3,737,055	3,504,634	3,525,091	3,293,020
Office and administrative expense	967,094	1,057,384	873,103	964,231
Depreciation of fixed assets	560,218	578,447	533,816	548,893
Electronic equipment operating expenses	326,365	291,706	300,487	270,661
Rental expenses	225,132	210,429	189,199	178,031
Amortisation of intangible assets	91,240	75,296	85,866	71,290
Deposit insurance expenses	76,787	75,304	76,683	75,225
Amortisation of long-term prepaid expenses	63,361	73,229	41,152	47,461
Total	6,047,252	5,866,429	5,625,397	5,448,812

40. Impairment losses on assets

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Loans and advances to customers	3,382,968	2,090,324	2,627,578	1,727,928
Available-for-sale financial assets	68,000	2,000	68,000	2,000
Investments classified as loans and receivables	27,528	72,136	27,528	72,136
Held-to-maturity investment	20,637	-	20,637	-
Long-term equity investment	-	-	326,664	-
Other	34,179	-	19,706	-
Total	3,533,312	2,164,460	3,090,113	1,802,064

41. Non-operating income

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Proceeds from security companies	62,561	96,568	62,561	96,568
- Wuhan Security Co., Ltd.	40,790	37,282	40,790	37,282
- Xinhua Security Co., Ltd.	10,906	-	10,906	-
- Hengxin Security Co., Ltd.	6,779	-	6,779	-
- Fuyou Security Co., Ltd.	4,086	37,474	4,086	37,474
- Nanfang Security Co., Ltd.	-	21,812	-	21,812
Penalty ^(Note 1)	150,158	1,889	150,158	1,889
Government grants	-	58,380	-	-
Gain on recovery of non-performing assets transferred to Shanghai Municipal Government ^(Note 2)	1,069	1,889	1,069	1,889
Gain on disposal of long-term unclaimed deposits	1,050	1,123	1,050	1,123
Others	43,932	40,033	40,388	39,728
Total	258,770	199,882	255,226	141,197

Note 1: Pursuant to Civil Mediation Agreement [2017] Hu 01 Min Chu No. 1470 issued by Shanghai No.1 Intermediate People's Court, as at 29 December 2017, the Bank received RMB150,000 thousand compensation for breach of contract from Shanghai INESA (Group) Co., Ltd. arising from failure of achieving House Property Right Certificate.

Note 2: Shanghai Municipal Government also injected cash and land use rights to the Bank in exchange for the Bank's non-performing assets with the contract value of RMB5,510,577 thousand in 2005. These assets were also derecognized in accordance with the above Yin Jian Ban Tong [2003] No. 83, and were accounted for as off-balance-sheet items.

Pursuant to Cai Zhu Hu Jian [2008] No. 166 "Report of the inspection on quality of accounting information of Shanghai Rural Commercial Bank Co., Ltd. for the year of 2007" issued by Shanghai Commissioners' Office of the MOF, such proceeds were recorded as non-operating income by the Bank in the year of receipt. The Bank recognized such non-operating income in the amount of RMB1,069 thousand for the year ended 31 December 2017 (Year ended 31 December 2016: RMB1,889 thousand).

42. Non-operating expense

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Pending actions	16,021	-		
Donations	8,491	17,278	8,292	17,068
Losses on physical inspection and disposal of fixed assets	976	1,657	901	1,631
Others	7,176	5,528	5,831	5,329
Total	32,664	24,463	15,024	24,028

43. Income tax expense

Reconciliation between income tax expenses and accounting profit:

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax	2,370,466	1,793,157	2,214,330	1,668,431
Deferred income tax	(652,869)	(429,293)	(744,478)	(388,804)
Total	1,717,597	1,363,864	1,469,852	1,279,627

Reconciliation between income tax expenses and accounting profit:

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Profit before tax	8,380,598	7,340,354	8,055,386	7,129,390
Tax calculated at applicable tax rate	2,038,539	1,832,173	2,013,846	1,782,348
Tax effect arising from income not subject to tax	(569,774)	(503,508)	(569,774)	(503,473)
Tax effect of expenses not deductible for tax purposes	24,781	9,297	23,455	8,479
Tax effect of deductible loss of unrecognised deferred income tax assets or deductible temporary difference	213,862	23,344		
Differences arising from tax filing	10,189	2,558	2,325	(7,727)
Income tax expense	1,717,597	1,363,864	1,469,852	1,279,627

44. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Item	Group		Bank	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
I. Reconciliation of net profit to cash flows from operating activities:				
Net profit	6,663,001	5,976,490	6,585,534	5,849,763
Adjustment: Impairment loss on assets	3,533,312	2,164,460	3,090,113	1,802,064
Depreciation of fixed assets	560,218	578,447	533,816	548,893
Amortisation of intangible assets	76,787	75,304	76,683	75,225
Amortisation of long-term prepaid expenses	63,361	73,229	41,152	47,461
Loss/(gain) on disposal of fixed assets, intangible asset and foreclosed assets	(93,647)	(47,692)	(92,498)	(47,708)
Loss/(gain) on changes in fair value	674,738	22,913	674,738	22,913
Interest income from investment securities	(6,304,234)	(4,338,312)	(6,304,234)	(4,338,312)
Investment income	(2,146,848)	(2,436,765)	(2,135,842)	(2,419,583)
Interest expenses for debt securities issued	2,215,699	510,782	2,215,699	510,782
Decrease in deferred income tax assets	(652,869)	(429,293)	(744,478)	(388,804)
Decrease in operating receivable	(87,336,227)	(52,865,065)	(84,027,103)	(51,793,061)
Increase in operating payable	80,423,319	104,691,577	82,480,641	99,070,580
Net cash provided from operating activities	(2,323,390)	53,976,075	2,394,221	48,940,213
II. Net increase in cash and cash equivalents				
Cash and cash equivalents at the end of the year	15,828,714	18,352,849	11,206,924	9,717,587
Less: cash and cash equivalents at the beginning of the year	18,352,849	14,792,585	9,717,587	10,403,531
Net increase/(decrease) in cash and cash equivalents	(2,524,135)	3,560,264	1,489,337	(685,944)

(2) Cash and cash equivalents

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Cash	1,484,308	1,984,261	1,391,802	1,901,606
Balances with central bank	8,106,080	7,346,250	6,490,384	5,433,378
Due from banks and other financial institutions (formerly known as within three months of maturity date)	6,238,326	9,022,338	3,324,738	2,382,603
Total	15,828,714	18,352,849	11,206,924	9,717,587

45. Collaterals

(1) Assets pledged

Certain assets are pledged as collateral under repurchase agreements with other Banks and financial institutions. For repurchase agreements pledged by discounts bills or repurchase agreement conducted out of PBOC platform pledged by securities, acceptors are entitled to sell or to re-pledge related assets again but for repurchase agreement conducted through PBOC platform, acceptors are not entitled to sell or re-pledge the underlying assets.

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Investment securities	45,812,327	31,720,133
Bills	7,766,978	3,068,637
Total	53,579,305	34,788,770

(2) Collateral accepted

In the resale agreement, if the counterparty of the transaction has not violated the contractual terms, the Group and the Bank can sell some of the pledged assets or transfer the pledged assets in other transactions. The fair value of the pledged collateral on 31 December 2017 was RMB296,002 thousand. (31 December 2016: Nil) The Group and the Bank did not resell or re-pledge any collateral accepted as at 31 December 2017 (Group and Bank as at 31 December 2016: Nil).

46. Transfers of financial assets*(1) Asset-backed securities*

The Bank carries out asset-backed securities transactions in the normal course of business. The Bank will sell part of credit assets to a special purpose trust, then the special purpose trust will issue asset-backed securities to investors.

The book value of credit assets which have been securitized by the Bank in 2017 and 2016 amounted to RMB 1,585,100 thousand on the transfer day. As of December 31 2017, the Bank held none asset-backed securities. (As of December 31, 2016: RMB 16,985 thousand).

In the above procedure of transferring financial assets, because the issue price is same as the carrying amounts of the transferred financial assets' book value, the Bank does not recognise profit or loss in these financial assets transferred process, the Bank will charge a service fee as a loan provider during the follow-up. As of 31 December 2017, the Bank held none tranche of asset-backed securities, and therefore the Bank does not have authority to obtain most benefits of a special purpose trust, but also does not bear most risk of a special purpose trust, hence the Bank won't merge these special purpose trusts, which means special purpose trust that is not an integral part of the Group's.

The Bank transfers related financial assets, and transferred substantially all the risks (including part credit risk of the transferred credit assets, prepayment risk and interest rate risk) and rewards to other investors, therefore related financial assets are derecognised.

The Bank loses the right to use of the related credit assets during the transferring of asset-backed securities transactions to credit assets. Once the special purpose trust is established, the Bank should distinguish it from other property that the Bank has not established trust. According to the relevant transaction documents, when the Bank dismisses in accordance with law, be liquidated in accordance with law or declared bankrupt, the trust property will be liquidated as liquidated property.

(2) Financial assets sold under repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Group does not have the ability to use during the term of the arrangements, are not derecognised from the financial statements but regarded as "collateral" for the secured lending from these because the Group retains substantially all the risks and rewards of these securities. In addition, it recognises a financial liability for cash received. For all these arrangements, the counterparties have recourse not only to the transferred financial assets.

As at 31 December 2017 and 2016, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as "financial instruments sold under repurchase agreements" (see Note IX. 20).

The following table provides a summary of carrying amounts related to transfer financial assets that are not derecognised and associated liabilities:

Item	Group and Bank								
	As at 31 December 2017					As at 31 December 2016			
	Available-for-sale financial assets	Held-to-maturity investments	Transactional financial assets	Loans and advances to customers	Total	Available-for-sale financial assets	Held-to-maturity investments	Loans and advances to customers	Total
Carrying amounts of transferred assets	9,519,546	35,249,722	1,017,069	7,766,978	53,553,315	2,706,396	29,013,737	3,068,637	34,788,770
Carrying amounts of associated liabilities	9,386,357	34,098,716	1,009,400	7,766,978	52,261,451	2,710,000	28,939,530	3,068,637	34,718,167

47. Interests in structured entities

(1) Consolidated structured entities

The Group has consolidated certain structured entities which mainly are wealth management products. When assessing whether to consolidate structured entities, the Bank reviews all facts and circumstances to determine whether the Bank, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those wealth management products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2017 the wealth management products managed and consolidated by the Group amounted to RMB21,239,774 thousand (As at 31 December 2016: RMB21,160,063 thousand). The financial impact of any individual wealth management products on the Group's financial performance is not significant. Interests held by other interest holders are included in Customer deposits.

(2) Unconsolidated structured entities

The Group involves with structured entities through investments in structured entities or sponsors structured entities that provide specialised investment opportunities to investors. Structured entities generally finance the purchase of assets by issuing units of the products. The Group did not control those structured entities and thus these structured entities were not consolidated.

Those structured entities sponsored by the Group are wealth management products. The Group earned commission income by providing management services to the investors of those structured entities, which was not material to the Group. Meanwhile, the Group involved in certain structured entities sponsored by the Group or other institutions through investments.

The following table summarises the scale of these unconsolidated structured entities sponsored by the Group and Bank:

Item	Group and Bank		
	As at 31 December 2017	As at 31 December 2016	Type of income
Wealth management products	67,225,594	70,661,277	Commission income

Details of the Group and Bank involve with structured entities through investments in structured entities are as follows:

Item	Group						
	As at 31 December 2017			As at 31 December 2016			Major income type
	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	
Trusts and asset management products	15,193,593	-	12,347,508	15,818,783	-	13,784,981	Investment income and interest income
Wealth management products	30,835,554	-	-	58,099,272	-	-	Investment income
Securities investment funds	13,082,339	-	-	7,891,440	-	-	Investment income
Asset-backed securities	81,243	2,686,282	-	-	1,834,683	-	Interest income
Total	59,192,729	2,686,282	12,347,508	81,809,495	1,834,683	13,784,981	

Item	Bank							Major income type
	As at 31 December 2017			As at 31 December 2016				
	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables		
Trusts and asset management products	14,520,351	-	12,347,508	15,172,754	-	13,784,981	Investment income and interest income	
Wealth management products	30,835,554	-	-	58,099,272	-	-	Investment income	
Securities investment funds	13,082,339	-	-	7,891,440	-	-	Investment income	
Asset-backed securities	81,243	2,686,282	-	-	1,834,683	-	Interest income	
Total	58,519,487	2,686,282	12,347,508	81,163,466	1,834,683	13,784,981		

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Related parties

During the reporting period, the Group did not have any related parties who controlled the Group or were controlled by the Group. The Group's related parties include key management personnel (including directors and senior management personnel) and their close family members, as well as entities that are controlled, joint controlled or significantly influenced by key management personnel and their close family members, and shareholders who hold more than 5% equity shares of the Bank.

(1) Subsidiaries and associates

Please refer to Note VIII for the subsidiary information and Note IX .12 for the associate information.

(2) Nature of related parties that do not control or are not controlled by the Bank

Shareholders who hold more than 5% equity shares of the Bank in 2017:

Name of entity	Main business	Main business (%)	
		As at 31 December 2017	As at 31 December 2016
ANZ Banking (Group) Co., Ltd. (Note)	Banking	-	20.00
Shanghai State-owned Assets management Co., Ltd.	Capital management and industrial investment	10.00	10.00
China Ocean Shipping Group Co. Ltd.	International ship transport	10.00	-
Baoshan Iron & Steel Co., Ltd.	Steel smelting	10.00	-
China Pacific Life Insurance Co., Ltd.	Insurance and capital investment	7.00	7.00
Shanghai International (Group) Co., Ltd.	Investment	6.02	6.02
Shenzhen Lenovo Science and Technology Park Co., Ltd.	Investment	5.73	5.73

Note: ANZ Banking (Group) Co., Ltd. is no longer a shareholder of the Bank.

2. Significant transactions with related parties

The major transactions with related parties were loans and deposits, and they were all conducted under normal commercial terms.

(1) Interest income

Type of related party	Group		Bank	
	2017	2016	2017	2016
Subsidiaries			1,121	236
Associates	42,577	35,817	42,577	35,817
Other related parties	6,348	7,645	6,348	7,645
Total	48,925	43,462	50,046	43,698

(2) Interest expense

Type of related party	Bank	
	2017	2016
Subsidiaries	200,166	131,614

(3) Fee and commission income

Type of related party	Bank	
	2017	2016
Subsidiaries	61,908	99,251

(4) Key management personnel cost

Item	Group and Bank	
	2016	2015
Salary and bonus	5,969	4,350

3. Major balances with related parties

(1) Due from banks and other financial institutions

Type of related party	Bank	
	As at 31 December 2017	As at 31 December 2016
Subsidiaries	60,000	30,000

(2) Placements with financial institutions

Type of related party	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Associates	-	2,000,000

(3) Loans and advances to customers

Type of related party	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Other related parties	161,732	187,040

(4) Due to banks and other financial institutions

Type of related party	Bank	
	As at 31 December 2017	As at 31 December 2016
Subsidiaries	5,011,204	5,505,980

XI.CONTINGENT LIABILITIES

1. Legal proceedings

Kunming Ala SRCB Rural Commercial Bank Co., Ltd. (the "Ala Rural Bank"), one of the Bank's subsidiaries was a defendant in certain litigations with gross claims of RMB15,800 thousand arising from its bank due to customer business. Pursuant to the Second Instance Decision [2017] Yun Min Zhong No. 78 issued by the Higher People's Court of Yunnan Province on 5 June 2017, the Ala Rural Bank lost the case. The Ala Rural Bank appealed from the judgement and filed an appeal to the Supreme People's Court of the PRC. Pursuant to the Civil Verdict [2017] Zui Gao Fa Min Shen No. 4099 issued by the Supreme People's Court of the PRC on 24 November 2017, the Supreme People's Court of the PRC has ordered the Higher People's Court of Yunnan Province a retrial and a hold on the execution of previous decision. As at 31 December 2017, the Group recognizes a probable loss as provision of RMB16,021 thousand arising from the outstanding litigations. The Group believes that the provision is reasonable and adequate.

XII.COMMITMENTS

1. Credit-related commitments

Item	Group and Bank	
	As at 31 December 2017	As at 31 December 2016
Loan commitments	23,108,820	19,242,491
Acceptances	6,718,758	9,200,709
Letters of guarantee	5,021,503	4,786,432
Letters of credit	1,585,448	1,263,950
Total	36,434,529	34,493,582

2. Capital commitments

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Authorised but not contracted for	60,342	207,901	59,810	207,901
Contracted but not provided for	285,407	413,701	282,334	413,701
Total	345,749	621,602	342,144	621,602

3. Operating lease commitments

Where the Group and the Bank is the lessee, the future minimum lease payments on buildings and equipment under non-cancellable operating leases are as follows:

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Within 1 year	195,177	193,997	161,324	165,524
Beyond 1 year and not more than 5 years	540,237	547,813	427,951	452,579
More than 5 years	201,135	172,318	142,720	130,704
Total	936,549	914,128	731,995	748,807

4. Commitments on security underwriting and bond acceptance

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

The Bank's redemption commitments, representing the principal value of the bonds underwritten and sold by the Bank, amounted to RMB3,246,116 thousand as at 31 December 2017 as at 31 December 2016: RMB3,028,894 thousand).

XIII. FIDUCIARY ACTIVITIES

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2016	As at 31 December 2016
Entrusted loans	138,163,340	138,291,585	136,784,376	137,164,544

XIV. OTHER SIGNIFICANT EVENTS

1. Segment Reporting

The major products and services provided by each segment reporting of the Group are corporate banking, personal banking, capital business and other business.

Corporate banking refers to banking services provided to corporate clients, including corporate deposits, corporate loans, trade-related products and settlement, agency, entrust and others.

Personal banking refers to banking services provided to individual clients, including personal deposits, personal loans, bank cards, settlement, agency and others.

Capital business includes money market transactions, repurchase transactions, bond investments, interest rate and precious metals derivatives trading, asset liability management and others.

Other business refers to those cannot form a separate segment or services cannot be allocated on a reasonable basis.

Item	Group				Total
	2017				
	Corporate banking business	Personal banking business	Treasury business	Other business	
I. Operating income	10,271,355	4,186,489	3,075,587	387,344	17,920,775
Net interest income	8,952,649	3,101,376	230,865	32,913	12,317,803
Of which: external net interest income	7,359,591	(1,953,609)	7,647,443	(735,622)	12,317,803
internal net interest income	1,593,058	5,054,985	(7,416,578)	768,535	-
Net fee and commission income	1,201,366	1,082,523	808,252	85,896	3,178,037
Investment income	11,006	-	2,077,333	58,509	2,146,848
Gain/(loss) from changes in fair value	-	-	(674,738)	-	(674,738)
Exchange gain/(loss)	105,940	2,590	633,875	(30,114)	712,291
Other operating income	394	-	-	28,328	28,722
Gains from disposal of assets	-	-	-	93,647	93,647
Other income	-	-	-	118,165	118,165
II. Operating expense	(5,886,996)	(2,116,420)	(683,790)	(1,079,077)	(9,766,283)
Taxes and levies	(104,502)	(41,398)	(27,652)	(1,594)	(175,146)
General and administrative expenses	(2,577,555)	(1,836,467)	(565,319)	(1,067,911)	(6,047,252)
Impairment losses charged	(3,203,938)	(238,555)	(90,819)	-	(3,533,312)
Other operating expense	(1,001)	-	-	(9,572)	(10,573)

Item	Group				
	2017				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
III. Operating income	4,384,359	2,070,069	2,391,797	(691,733)	8,154,492
Add: non-operating income	-	-	-	258,770	258,770
Less: non-operating expenses	-	-	-	(32,664)	(32,664)
IV. Profit before tax	4,384,359	2,070,069	2,391,797	(465,627)	8,380,598
Total assets	276,563,431	98,517,879	323,572,390	103,403,899	802,057,599
Total liabilities	(355,088,711)	(267,071,961)	(113,152,699)	(13,727,324)	(749,040,695)

Item	Group				
	2016				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
I. Operating income	8,564,391	3,870,894	2,781,851	421,123	15,638,259
Net interest income	7,633,567	3,025,597	(66,399)	28,043	10,620,808
Of which: external net interest income	6,834,220	(2,441,575)	5,308,106	920,057	10,620,808
internal net interest income	799,347	5,467,172	(5,374,505)	(892,014)	-
Net fee and commission income	839,784	840,797	541,367	110,899	2,332,847
Investment income	18,776	-	2,232,262	185,727	2,436,765
Gain/(loss) from changes in fair value	-	-	(22,913)	-	(22,913)
Exchange gain/(loss)	71,851	4,500	97,534	26,273	200,158
Other operating income	413	-	-	20,672	21,085
Gains from disposal of assets	-	-	-	49,509	49,509
Other income	-	-	-	-	-
II. Operating expense	(4,684,097)	(2,183,622)	(600,412)	(1,005,193)	(8,473,324)
Taxes and levies	(230,346)	(107,057)	(67,984)	(13,413)	(418,800)
General and administrative expenses	(2,498,715)	(1,867,999)	(530,428)	(969,287)	(5,866,429)
Impairment losses charged	(1,953,894)	(208,566)	(2,000)	-	(2,164,460)
Other operating expense	(1,142)	-	-	(22,493)	(23,635)
III. Operating income	3,880,294	1,687,272	2,181,439	-584,070	7,164,935
Add: non-operating income	-	-	-	199,882	199,882
Less: non-operating expenses	-	-	-	(24,463)	(24,463)
IV. Profit before tax	3,880,294	1,687,272	2,181,439	-408,651	7,340,354
Total assets	258,976,350	85,978,366	271,695,664	94,230,178	710,880,558
Total liabilities	(322,669,680)	(243,896,837)	(74,656,006)	(21,964,370)	(663,186,893)

2. Financial risk management

2.1 Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the inherent risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The goal of this Group risk management is based on the determined by the board of directors tend to be more defensive strategies of risk management, adopt the advanced risk management theory, establish suitable for the group market positioning, and adapt to the local credit environment, and development of the group match of the risk management system, and constantly improve the identification, measurement, monitoring and control of the ability of the risk, can effectively will risk control within the group can withstand level, ensure the operation and management activities in accordance with the law compliance, convenient and efficient, stable operation, can effectively guard against and dissolve the risk management, safety and maintenance of the group's capital appreciation for continuous stable.

The Board of Directors provides strategy for overall risk management. The Risk Management Committee establishes related risk management policies and procedures under the strategy approved by the Board. The risk management is executed by the senior management in the Group by carrying out the risk management strategy and policies, establishing risk management systems and procedures covering all businesses and management cycles.

The Risk Management Department takes the lead in overall risk management of the Group. It is in charge of the daily operation of risk management system so as to ensure the consistency and effectiveness of the overall risk management. It also compiles or arranges to compile relevant policies, regulations, process, standards of risk control and detailed operating rules, and submit them to senior management and Board of Directors for approval. Furthermore, it analyses, inspects and evaluates the execution of the relevant policies. All operation departments and branches are the frontier of risk management and are responsible for their risk management.

The Group is mostly exposed to credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

2.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty may fail to discharge an obligation, resulting in financial losses to the Group. Significant changes in the economy, or in a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. If the counterparties of the transaction are focused on the same industries or geographic region, the credit risk increases. Credit exposures arise principally in Loans and advances to customers, debt securities and due from Groups and other financial institutions. There is also credit risk in off-balance-sheet financial arrangements such as loan commitments. The majority of the Group's operation is located within Shanghai, the PRC. This represents a concentration of credit risk, through which the Group is exposed to the general economic conditions in this area. Management closely monitors its exposure to credit risk. The Group set up Risk Management Department, Facility Authorisation Department and Asset Monitoring Department, which are respectively in charge of the establishment of relevant policies, inspection and approval of facility, and the ongoing credit monitoring.

The head office assigns risk chief officers to branches directly, who are responsible for facility authorisation and approval, so as to support the marketing and control of overall risk of the branch. In addition, the Group exerts its strength to set up facility database and customer analysis platform so as to provide technical support to credit risk management.

The Risk Management Department of the head office is in charge of the Bank's overall credit risk (including loans, securities and placements with other banks) and report to the senior management of the Bank on a timely basis.

2.2.1 Credit risk assessment

(1) Loans and advances to customers and off-balance-sheet commitments

The Group uses a five-grade classification system to manage the quality of its loan portfolio. Such classification system is based on "the Guidance on Credit Risk Classification" ("the Guidance") issued by CBRC. Under the Group's own system and the CBRC guidance, the Group classifies its credit assets and off-balance sheet credit exposures into five categories, which are namely pass, special mention, substandard, doubtful and loss. The last three categories are also classified as "non-performing".

The core definition of the Group's credit asset classification is as follows:

Pass: The borrower is able to fulfil the contractual obligations, and there is no uncertainty that principal and interest can be paid on time.

Special Mention: The borrower is able to make current due payments, but there exist some potential factors that may have negative impact on the borrower's future payments.

Substandard: The borrower's repayment ability has been in doubt and its normal income cannot repay the loan principle and interest in full. Losses may be incurred by the Group, even with the enforcement of guarantees and collateral.

Doubtful: The borrower cannot repay the principal and the interest in full. Significant losses will be incurred even with the enforcement of guarantees and collateral.

Loss: After taking into consideration all possible recovery actions and necessary legal procedures, the principal and interest are unable to be collected, or only a very small portion of principal and interest can be collected.

(2) Debt securities

The Group manages bond and other bill's credit risks through limiting investment bond's credit rating. For foreign currency securities, only those with ratings (by Standard & Poor or equivalent agencies) equivalent to or higher than A- can be invested. Investments in RMB debt securities are limited to government bonds, bills issued by PBOC, debt securities issued by the State's policy Banks and other RMB bonds and short term commercial papers with credit rating equivalent to or above A- assigned by rating agencies recognised by PBOC. In addition, the Group continuously monitors the changes of the issuers' credit rating.

(3) Placements with banks and other financial institutions

The Group manages the credit quality of due from and placements with banks and other financial institutions considering the size, financial position and the external credit rating of the banks and financial institutions. The Head Office monitors and reviews the credit risk of due from and placements with banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties.

(4) Wealth management products, trusts and asset management plans

The Bank has a regular review and management on the credit risk of the financial institutions who issue wealth management products and sets credit limit accordingly.

The Bank implements the scoring system to the trust companies who issues trust schemes. The bank sets the business line according to the scores and reviews the valuation tables provided by the trust companies on a regular basis.

The Bank sets credit limit to those institutions who issue asset management plans. It is required that the external credit rating of the underlying investments is ranked A and above. The bank will keep a continuous update on the credit rating changes of investees within each investment.

2.2.2 Risk limit control and mitigation measures

The Group manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and Groups, and to industries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risks accepted in relation to single borrower, or Groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are as follows:

(1) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral, which is common practice. The Group implements guidelines on the acceptance of specific classes of collateral. The principal types of collateral for loans and advances to customers are as follows:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Value of collaterals is usually required to be assessed by professional evaluator designated by the Group. To mitigate the credit risk, the Group sets limit on the loan-to-value ratio for different types of collateral. The principal collateral types for corporate loans and individual loans are as follows:

Collateral	Maximum loan-to-value ratio (%)
Time deposit	90.00
Certificate treasury bonds	90.00
Commercial building and factory	70.00
Housing and land use rights	70.00

The Group will evaluate the financial condition, credit history and ability to meet obligations of the guarantor on regular basis.

Collateral held as security for financial assets other than loans and advances to customers is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(2) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, letters of credit and acceptances, which represent irrevocable assurances that the Group will make payments in event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In addition, the Group issues credit commitments to customers. In some cases, such as those situations where the amount of credit commitment exceeds the original credit limit, guarantee deposits are received by the Group to lessen the credit risks related to certain of these commitments provided by the Group. The Group's potential amount of credit risk is equivalent to the total amount of credit commitments.

2.2.3 Impairment and provision policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date where there is objective evidence of impairment.

The objective evidences of impairment, as detailed in the Group's accounting policies are as follows:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of Bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Downgrading below Special Mention rating

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least quarterly or more regularly when individual circumstances occur. Impairment allowances on individually significant accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis. The assessment normally encompasses valuation of collateral held (including re-confirmation of its enforceability) and the anticipated net realisable value of individual assets.

Collectively assessed impairment allowances are provided for: (1) portfolios of homogenous assets that are individually below materiality thresholds; and (2) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

2.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Credit risk exposures relating to balance sheet items:				
Cash and balances with central bank	96,058,800	86,726,469	91,898,866	82,166,236
Due from banks and other financial institutions	19,514,699	11,308,560	9,961,760	3,898,824
Placement with banks and other financial institutions	35,080,222	32,192,925	35,080,222	32,192,925
Financial assets at fair value through profit or loss	2,515,427	3,273,212	2,515,427	3,273,212
Derivative financial assets	375,697	668,898	375,697	668,898
Financial assets purchased under resale agreements	26,737,512	5,570,413	26,737,512	5,570,413
Interest receivables	3,693,002	2,620,252	3,610,919	2,551,101
Loans and advances to customers	361,298,257	328,430,370	349,697,860	313,608,010
Available-for-sale financial assets	103,688,375	119,588,504	103,015,133	118,176,484
Held-to-maturity investments	121,036,032	94,326,945	121,036,032	94,326,945
Investments classified as loans and receivables	12,472,235	13,911,674	12,472,235	13,911,674
Other financial assets	124,091	127,850	88,590	94,050
Sub-total	782,594,349	698,746,072	756,490,253	670,438,772
Credit risk exposures relating to off-balance-sheet items:				
Loan commitments	23,108,820	19,242,491	23,108,820	19,242,491
Acceptances	6,718,758	9,200,709	6,718,758	9,200,709
Letters of guarantee	5,021,503	4,786,432	5,021,503	4,786,432
Letters of credit	1,585,448	1,263,950	1,585,448	1,263,950
Sub-total	36,434,529	34,493,582	36,434,529	34,493,582
Total	819,028,878	733,239,654	792,924,782	704,932,354

The tables above represent the maximum exposure to credit risk before collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported on the balance sheet.

2.2.5 Due from banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Neither past due nor impaired	81,332,433	49,071,898	71,779,494	41,662,162

2.2.6 Loans and advances to customers

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Neither past due nor impaired	368,027,185	332,393,698	356,389,262	317,846,461
Past due but not impaired	748,459	1,336,784	493,930	798,658
Impaired	4,867,933	4,370,574	3,911,307	3,661,284
Total	373,643,577	338,101,056	360,794,499	322,306,403
Less: allowance for impairment	(12,345,320)	(9,670,686)	(11,096,639)	(8,698,393)
Carrying amounts	361,298,257	328,430,370	349,697,860	313,608,010

(a) Loans and advances to customers neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the five-grade classification system adopted by the Group.

Item	Group					
	As at 31 December 2017			As at 31 December 2016		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	265,890,884	97,303,687	363,194,571	243,747,971	85,013,321	328,761,292
Special mention	4,479,496	353,118	4,832,614	3,374,120	258,286	3,632,406
Total	270,370,380	97,656,805	368,027,185	247,122,091	85,271,607	332,393,698

Item	Bank					
	As at 31 December 2017			As at 31 December 2016		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	260,788,668	91,864,213	352,652,881	236,344,253	78,516,836	314,861,089
Special mention	3,677,451	58,930	3,736,381	2,919,279	66,093	2,985,372
Total	264,466,119	91,923,143	356,389,262	239,263,532	78,582,929	317,846,461

(b) Loans and advances to customers past due but not impaired

Item	Group				
	As at 31 December 2017				
	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 90 days past due	Total
Corporate	400,519	70,360	62,272	82,801	615,952
Individual	60,747	30,789	13,360	27,611	132,507
Total	461,266	101,149	75,632	110,412	748,459

Group					
2016					
Item	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 90 days past due	Total
Corporate	229,287	206,328	65,279	567,831	1,068,725
Individual	70,580	70,454	25,986	101,039	268,059
Total	299,867	276,782	91,265	668,870	1,336,784

Bank					
2017					
Item	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 90 days past due	Total
Corporate	344,145	36,985	22,932	58,757	462,819
Individual	24,253	3,751	3,107	-	31,111
Total	368,398	40,736	26,039	58,757	493,930

Bank					
2016					
Item	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 90 days past due	Total
Corporate	94,580	132,847	40,961	476,603	744,991
Individual	31,114	17,635	4,318	600	53,667
Total	125,694	150,482	45,279	477,203	798,658

The fair value of collaterals was estimated by management based on the latest available external valuations, adjusted for the current market situation and management's experience in realisation of collaterals.

(c) Loans and advances to customers impaired

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Corporate	4,143,772	3,809,536	3,593,001	3,287,513
Individual	724,161	561,038	318,306	373,771
Total	4,867,933	4,370,574	3,911,307	3,661,284

(d) Loans and advances to customers restructured

Restructured loans represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 31 December 2017, the restructured loans held by the Group amounted to RMB436,391 thousand (As at 31 December 2016: RMB286,080 thousand).

2.2.7 Investment securities and other investments

The tables below analyse the Group's investment securities by external rating agencies (S&P or equivalent agencies for foreign currency investments and rating agencies recognised by PBOC for RMB investment securities).

Group					
As at 31 December 2017					
Item	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Total
AAA- to AAA+	60,475	5,438,911	19,011,555	-	24,510,941
AA- to AA+	-	2,773,314	3,354,545	-	6,127,859
A- and below	9,392	-	-	-	9,392
Unrated	2,445,560	95,476,150	98,669,932	12,472,235	209,063,877
Total	2,515,427	103,688,375	121,036,032	12,472,235	239,712,069

Group					
As at 31 December 2016					
Item	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Total
AAA- to AAA+	268,753	7,369,918	9,445,840	-	17,084,511
AA- to AA+	199,900	5,551,439	2,864,139	-	8,615,478
A- and below	9,392	277,762	19,956	-	307,110
Unrated	2,795,167	106,389,385	81,997,010	13,911,674	205,093,236
Total	3,273,212	119,588,504	94,326,945	13,911,674	231,100,335

Bank					
As at 31 December 2017					
Item	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Total
AAA- to AAA+	60,475	5,438,911	19,011,555	-	24,510,941
AA- to AA+	-	2,773,314	3,354,545	-	6,127,859
A- and below	9,392	-	-	-	9,392
Unrated	2,445,560	94,802,908	98,669,932	12,472,235	208,390,635
Total	2,515,427	103,015,133	121,036,032	12,472,235	239,038,827

Bank					
As at 31 December 2016					
Item	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Total
AAA- to AAA+	268,753	6,796,409	9,445,840	-	16,511,002
AA- to AA+	199,900	5,358,957	2,864,139	-	8,422,996
A- and below	9,392	277,762	19,956	-	307,110
Unrated	2,795,167	105,743,356	81,997,010	13,911,674	204,447,207
Total	3,273,212	118,176,484	94,326,945	13,911,674	229,688,315

Note 1: The interbank deposit held by the Group is deposit voucher entry issued by domestic commercial banks in the nation.

Note 2: The unrated financial institutions bonds held by the Group mainly are subordinated bonds issued by listed insurance companies and foreign bonds issued by listed banks.

Note 3: The wealth management products purchased from other banks are mainly invested in fixed income bonds and currency market financial products issued by the domestic policy banks, state-owned and joint-stock commercial banks.

Note 4: As at 31 December 2017 and 2016, there was no trusts and asset management plan will be, purchased by domestic commercial banks with the balance of outstanding principal and interest receivable when the product reaches maturity or trust loan defaults in accordance with the relevant agreement. Others include standardised creditor's rights assets rated in A+ and above, money market instruments and trust loans rated as pass in accordance with the definition of the CBRC "loan risk classification guidance".

2.3 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity price and equity prices.

The Group separates exposures to market risk into either trading or non-trading portfolios. The trading portfolio consists of positions in financial instruments held with trading intent with customers or other participants in the market. The non-trading portfolio consists of interest rate risk management of assets and liabilities, and foreign currency and equity prices risk of financial instruments which are held to maturity and available for sale.

The Group set up detailed operating rules of market risk management and rules of market pressure test. The Internal Control Management Committee takes the role of market risk management of the senior management. The Risk Management Department takes the lead role and responsibility of market risk management, recognises, measures, monitors and controls the market risk of non-trading accounts in the Group. The departments bearing market risk take the responsibilities of applying the policy and follow the standard procedure of the Group, coordinating with the Risk Management Department, reporting market risk and the execution of standard procedure, as well as applying decisions made by the Asset and Liability Management Committee. Furthermore, the asset and liability information system of the Group can manage market risk effectively.

2.3.1 Measurement

The Group uses sensitivity analysis, scenario analysis and pressure test to assess investment portfolio risk that exposures to the movement of interest rate and exchange rate. The group also uses different scenarios by changing interest rate and exchange rate to assess its impact on the fair value of the investment portfolio and the group scenarios by changing interest rate and exchange rate to assess its impact on the fair value of the investment portfolio and the market risk reporting rule.

2.3.2 Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of exchange rate on its financial position and cash flows.

The Group's principle in controlling exchange rate risk is to match its assets and liabilities in each currency and to maintain exchange rate risk within established limits. The Group has set risk limits according to the guidelines established by the Internal Control Management Committee, the relevant regulatory requirements, and management's assessment of the current market condition. The Group also manages its foreign capital sources and usage of foreign currencies to minimise potential currency mismatches.

The tables below summarise the Group's exposure to foreign currency exchange rate risk at the end of each reporting period. Included in the tables are the Group's assets and liabilities at carrying amounts in RMB, categorised by the original currency:

Item	Group			
	As at 31 December 2017			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	95,637,605	389,825	31,370	96,058,800
Due from banks and other financial institutions	18,892,561	529,805	92,333	19,514,699
Placements with banks and other financial institutions	33,100,000	1,881,848	98,374	35,080,222
Financial assets at fair value through profit or loss	2,515,427	-	-	2,515,427
Derivative financial assets	213,136	29,873	132,688	375,697
Financial assets purchased under resale agreements	26,737,512	-	-	26,737,512
Loans and advances to customers	358,944,264	2,322,808	31,185	361,298,257
Available-for-sale financial assets	105,214,422	-	-	105,214,422
Held-to-maturity investments	120,951,582	84,450	-	121,036,032
Investments classified as loans and receivables	12,472,235	-	-	12,472,235
Other assets	15,331,600	6,422,696	-	21,754,296
Total assets	790,010,344	11,661,305	385,950	802,057,599
Borrowings from central bank	(6,776,000)	-	-	(6,776,000)
Due to banks and other financial institutions	(10,379,303)	(122,850)	-	(10,502,153)
Placements from banks and other financial institutions	(4,500,000)	(24,912,569)	(3,080)	(29,415,649)
Derivative financial liabilities	(16,041)	(723,399)	(140,850)	(880,290)
Financial assets sold under repurchase agreements	(52,261,451)	-	-	(52,261,451)
Financial liabilities at fair value through profit or loss	(131)	-	-	(131)
Customer deposits	(602,177,809)	(6,663,502)	(239,911)	(609,081,222)
Debt securities issued	(23,099,042)	-	-	(23,099,042)
Other liabilities	(16,840,854)	(181,550)	(2,353)	(17,024,757)
Total liabilities	(716,050,631)	(32,603,870)	(386,194)	(749,040,695)
Net value	73,959,713	(20,942,565)	(244)	53,016,904
Financial guarantee and credit-related commitments	34,435,285	1,289,392	709,852	36,434,529

Item	Group			
	As at 31 December 2016			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	86,248,024	442,112	36,333	86,726,469
Due from banks and other financial institutions	10,073,423	1,144,872	90,265	11,308,560
Placements with banks and other financial institutions	27,153,000	5,039,925	-	32,192,925
Financial assets at fair value through profit or loss	3,273,212	-	-	3,273,212
Derivative financial assets	147,047	302,981	218,870	668,898
Financial assets purchased under resale agreements	5,570,413	-	-	5,570,413
Loans and advances to customers	325,909,890	2,479,580	40,900	328,430,370
Available-for-sale financial assets	120,789,471	-	-	120,789,471
Held-to-maturity investments	94,326,945	-	-	94,326,945
Investments classified as loans and receivables	13,911,674	-	-	13,911,674
Other assets	13,653,284	28,255	82	13,681,621
Total assets	701,056,383	9,437,725	386,450	710,880,558
Liabilities				
Borrowings from central bank	(1,043,500)	-	-	(1,043,500)
Due to banks and other financial institutions	(32,358,152)	(62,505)	-	(32,420,657)
Placements from banks and other financial institutions	(410,000)	(7,112,512)	(19,606)	(7,542,118)
Derivative financial liabilities	(305,962)	(12,840)	(165,616)	(484,418)
Financial assets sold under repurchase agreements	(34,718,167)	-	-	(34,718,167)
Customer deposits	(546,158,316)	(7,331,360)	(285,015)	(553,774,691)
Debt securities issued	(18,272,810)	-	-	(18,272,810)
Other liabilities	(14,330,872)	(591,310)	(8,350)	(14,930,532)
Total liabilities	(647,597,779)	(15,110,527)	(478,587)	(663,186,893)
Net value	53,458,604	(5,672,802)	(92,137)	47,693,665
Financial guarantee and credit-related commitments	31,830,115	1,626,390	1,037,077	34,493,582

Item	Bank			
	As at 31 December 2017			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	91,477,671	389,825	31,370	91,898,866
Due from banks and other financial institutions	9,339,622	529,805	92,333	9,961,760
Placements with banks and other financial institutions	33,100,000	1,881,848	98,374	35,080,222
Financial assets at fair value through profit or loss	2,515,427	-	-	2,515,427
Derivative financial assets	213,136	29,873	132,688	375,697
Financial assets purchased under resale agreements	26,737,512	-	-	26,737,512
Loans and advances to customers	347,343,867	2,322,808	31,185	349,697,860
Available-for-sale financial assets	104,541,180	-	-	104,541,180
Held-to-maturity investments	120,951,582	84,450	-	121,036,032
Investments classified as loans and receivables	12,472,235	-	-	12,472,235
Other assets	15,707,807	6,422,696	-	22,130,503
Total assets	764,400,039	11,661,305	385,950	776,447,294
Liabilities				
Borrowings from central bank	(6,400,000)	-	-	(6,400,000)
Due to banks and other financial institutions	(15,389,826)	(122,850)	-	(15,512,676)
Placements from banks and other financial institutions	(4,500,000)	(24,912,569)	(3,080)	(29,415,649)
Derivative financial liabilities	(16,041)	(723,399)	(140,850)	(880,290)
Financial assets sold under repurchase agreements	(52,261,451)	-	-	(52,261,451)
Financial liabilities at fair value through profit or loss	(131)	-	-	(131)
Customer deposits	(574,366,439)	(6,663,502)	(239,911)	(581,269,852)
Debt securities issued	(23,099,042)	-	-	(23,099,042)
Other liabilities	(16,331,967)	(181,550)	(2,353)	(16,515,870)
Total liabilities	(692,364,897)	(32,603,870)	(386,194)	(725,354,961)
Net value	72,035,142	(20,942,565)	(244)	51,092,333
Financial guarantee and credit-related commitments	34,435,285	1,289,392	709,852	36,434,529

Item	Bank			
	As at 31 December 2016			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	81,687,791	442,112	36,333	82,166,236
Due from banks and other financial institutions	2,663,687	1,144,872	90,265	3,898,824
Placements with banks and other financial institutions	27,153,000	5,039,925	-	32,192,925
Financial assets at fair value through profit or loss	3,273,212	-	-	3,273,212
Derivative financial assets	147,047	302,981	218,870	668,898
Financial assets purchased under resale agreements	5,570,413	-	-	5,570,413
Loans and advances to customers	311,087,530	2,479,580	40,900	313,608,010
Available-for-sale financial assets	119,377,451	-	-	119,377,451
Held-to-maturity investments	94,326,945	-	-	94,326,945
Investments classified as loans and receivables	13,911,674	-	-	13,911,674
Other assets	14,234,227	28,255	82	14,262,564
Total assets	673,432,977	9,437,725	386,450	683,257,152
Liabilities				
Borrowings from central bank	(600,000)	-	-	(600,000)
Due to banks and other financial institutions	(37,862,739)	(62,505)	-	(37,925,244)
Placements from banks and other financial institutions	(410,000)	(7,112,512)	(19,606)	(7,542,118)
Derivative financial liabilities	(305,962)	(12,840)	(165,616)	(484,418)
Financial assets sold under repurchase agreements	(34,718,167)	-	-	(34,718,167)
Customer deposits	(515,734,747)	(7,331,360)	(285,015)	(523,351,122)
Debt securities issued	(18,272,810)	-	-	(18,272,810)
Other liabilities	(13,950,296)	(591,310)	(8,350)	(14,549,956)
Total liabilities	(621,854,721)	(15,110,527)	(478,587)	(637,443,835)
Net value	51,578,256	(5,672,802)	(92,137)	45,813,317
Financial guarantee and credit-related commitments	31,830,115	1,626,390	1,037,077	34,493,582

The table below illustrates the impact of an appreciation or depreciation of RMB against other currencies by 5% on the Group's and the Bank's net profit:

Item	Group and Bank	
	Year ended 31 December 2017	Year ended 31 December 2016
5% appreciation of RMB	(1,024,276)	(195,765)
5% depreciation of RMB	1,024,276	195,765

The Group makes following assumptions in performing the above analysis:

- There are no significant changes to the Group's business operations after balance sheet date;
- Customers' reactions to the exchange rate movements are not considered;
- Impact on the marketing prices of assets and liabilities is not considered; and

• The necessary actions to be taken by the Group in response to exchange rate movements are not considered.

Due to these limitations of the Group's approach, actual impact on the Group's net income from exchange rate fluctuation may vary from the analysis above.

2.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. The Group operates its business predominantly in mainland China under the interest rate scheme regulated by the PBOC. PBOC has historically adjusted its benchmark interest rates for loans and deposits in the same direction and at the same time (though not necessarily by the same increment).

According to the regulations of PBOC, the floor of 30% below the corresponding PBOC benchmark interest rates is cancelled. The Group determines the loan interest rates independently. Interest rates for discounted bills are market driven. However, such interest rates cannot be set below the PBOC interest rate for re-discounted bills.

The Group shortens the re-pricing time lag and duration of investments, in order to reduce the interest rate exposure. At the same time, The Group pays close attention to interest rate movements, performs the scenario analysis and adjusts interest rate of loans and deposits as appropriate.

The tables below summarise the Group's exposures to interest rate risks. The tables show the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

Item	Group					Total
	As at 31 December 2017					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	
Assets						
Cash and balances with central bank	94,084,441	-	-	-	1,974,359	96,058,800
Due from banks and other financial institutions	14,699,494	4,815,205	-	-	-	19,514,699
Placements with banks and other financial institutions	11,464,505	20,384,746	3,230,971	-	-	35,080,222
Financial assets at fair value through profit or loss	1,530,438	826,710	148,887	-	9,392	2,515,427
Derivative financial assets	-	-	-	-	375,697	375,697
Financial assets purchased under resale agreements	26,737,512	-	-	-	-	26,737,512
Loans and advances to customers	50,518,560	306,685,414	2,345,546	1,748,737	-	361,298,257
Available-for-sale financial assets	27,380,431	44,734,098	21,131,714	10,442,132	1,526,047	105,214,422
Held-to-maturity investments	10,528,249	15,893,453	62,334,103	32,280,227	-	121,036,032
Investments classified as loans and receivables	163,129	1,460,296	10,116,081	732,729	-	12,472,235
Other assets	-	-	-	-	21,754,296	21,754,296
Total assets	237,106,759	394,799,922	99,307,302	45,203,825	25,639,791	802,057,599
Liabilities						
Borrowings from central bank	(2,995,000)	(3,781,000)	-	-	-	(6,776,000)
Due to banks and other financial institutions	(10,502,153)	-	-	-	-	(10,502,153)
Placements with banks and other financial institutions	(26,972,309)	(2,443,340)	-	-	-	(29,415,649)
Derivative financial liabilities	-	-	-	-	(880,290)	(880,290)
Financial assets sold under repurchase agreements	(44,209,919)	(7,072,145)	(979,387)	-	-	(52,261,451)
Financial liabilities at fair value through profit or loss	-	-	-	-	(131)	(131)
Customer deposits	(380,058,737)	(109,034,508)	(119,984,800)	(3,177)	-	(609,081,222)
Debt securities issued	(11,738,189)	(1,360,853)	(10,000,000)	-	-	(23,099,042)
Other liabilities	-	-	-	-	(17,024,757)	(17,024,757)
Total liabilities	(476,476,307)	(123,691,846)	(130,964,187)	(3,177)	(17,905,178)	(749,040,695)
Total interest sensitivity gap	(239,369,548)	271,108,076	(31,656,885)	45,200,648	7,734,613	53,016,904

Item	Group					
	As at 31 December 2016					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central bank	84,272,884	-	-	-	2,453,585	86,726,469
Due from banks and other financial institutions	9,897,820	1,410,740	-	-	-	11,308,560
Placements with banks and other financial institutions	12,360,455	18,034,180	1,798,290	-	-	32,192,925
Financial assets at fair value through profit or loss	2,761,917	351,596	159,699	-	-	3,273,212
Derivative financial assets	-	-	-	-	668,898	668,898
Financial assets purchased under resale agreements	5,570,413	-	-	-	-	5,570,413
Loans and advances to customers	107,464,106	205,359,225	12,682,927	2,924,112	-	328,430,370
Available-for-sale financial assets	33,603,413	65,348,053	15,161,402	5,475,636	1,200,967	120,789,471
Held-to-maturity investments	5,366,667	19,336,431	39,515,739	30,108,108	-	94,326,945
Investments classified as loans and receivables	2,866,464	2,873,303	8,171,907	-	-	13,911,674
Other assets	-	-	-	-	13,681,621	13,681,621
Total assets	264,164,139	312,713,528	77,489,964	38,507,856	18,005,071	710,880,558
Liabilities						
Borrowings from central bank	(90,000)	(953,500)	-	-	-	(1,043,500)
Due to banks and other financial institutions	(32,420,657)	-	-	-	-	(32,420,657)
Placements with banks and other financial institutions	(6,730,611)	(811,507)	-	-	-	(7,542,118)
Derivative financial liabilities	-	-	-	-	(484,418)	(484,418)
Financial assets sold under repurchase agreements	(34,235,254)	(482,913)	-	-	-	(34,718,167)
Customer deposits	(326,121,168)	(128,608,284)	(99,045,239)	-	-	(553,774,691)
Debt securities issued	(11,370,027)	(3,902,783)	-	(3,000,000)	-	(18,272,810)
Other liabilities	-	-	-	-	(14,930,532)	(14,930,532)
Total liabilities	(410,967,717)	(134,758,987)	(99,045,239)	(3,000,000)	(15,414,950)	(663,186,893)
Total interest sensitivity gap	(146,803,578)	177,954,541	(21,555,275)	35,507,856	2,590,121	47,693,665

Item	Bank						Total
	As at 31 December 2017						
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing		
Assets							
Cash and balances with central bank	90,073,775	-	-	-	1,825,091		91,898,866
Due from banks and other financial institutions	7,922,555	2,039,205	-	-	-		9,961,760
Placements with banks and other financial institutions	11,464,505	20,384,746	3,230,971	-	-		35,080,222
Financial assets at fair value through profit or loss	1,530,438	826,710	148,887	-	9,392		2,515,427
Derivative financial assets	-	-	-	-	375,697		375,697
Financial assets purchased under resale agreements	26,737,512	-	-	-	-		26,737,512
Loans and advances to customers	48,393,640	300,784,911	382,237	137,072	-		349,697,860
Available-for-sale financial assets	26,707,189	44,734,098	21,131,714	10,442,132	1,526,047		104,541,180
Held-to-maturity investments	10,528,249	15,893,453	62,334,103	32,280,227	-		121,036,032
Investments classified as loans and receivables	163,129	1,460,296	10,116,081	732,729	-		12,472,235
Other assets	-	-	-	-	22,130,503		22,130,503
Total assets	223,520,992	386,123,419	97,343,993	43,592,160	25,866,730		776,447,294
Liabilities							
Borrowings from central bank	(2,900,000)	(3,500,000)	-	-	-		(6,400,000)
Due to banks and other financial institutions	(14,323,676)	(1,189,000)	-	-	-		(15,512,676)
Placements from banks and other financial institutions	(26,972,309)	(2,443,340)	-	-	-		(29,415,649)
Derivative financial liabilities	-	-	-	-	(880,290)		(880,290)
Financial assets sold under repurchase agreements	(44,209,919)	(7,072,145)	(979,387)	-	-		(52,261,451)
Financial liabilities at fair value through profit or loss	-	-	-	-	(131)		(131)
Customer deposits	(360,617,497)	(104,717,787)	(115,931,391)	(3,177)	-		(581,269,852)
Debt securities issued	(11,738,189)	(1,360,853)	(10,000,000)	-	-		(23,099,042)
Other liabilities	-	-	-	-	(16,515,870)		(16,515,870)
Total liabilities	(460,761,590)	(120,283,125)	(126,910,778)	(3,177)	(17,396,291)		(725,354,961)
Total interest sensitivity gap	(237,240,598)	265,840,294	(29,566,785)	43,588,983	8,470,439		51,092,333

Bank						
As at 31 December 2016						
Item	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central bank	79,795,911	-	-	-	2,370,325	82,166,236
Due from banks and other financial institutions	3,260,084	638,740	-	-	-	3,898,824
Placements with banks and other financial institutions	12,360,455	18,034,180	1,798,290	-	-	32,192,925
Financial assets at fair value through profit or loss	2,761,917	351,596	159,699	-	-	3,273,212
Derivative financial assets	-	-	-	-	668,898	668,898
Financial assets purchased under resale agreements	5,570,413	-	-	-	-	5,570,413
Loans and advances to customers	104,563,811	196,892,174	10,132,232	2,019,793	-	313,608,010
Available-for-sale financial assets	33,267,182	64,734,902	14,700,362	5,474,038	1,200,967	119,377,451
Held-to-maturity investments	5,366,667	19,336,431	39,515,739	30,108,108	-	94,326,945
Investments classified as loans and receivables	2,866,464	2,873,303	8,171,907	-	-	13,911,674
Other assets	-	-	-	-	14,262,564	14,262,564
Total assets	249,812,904	302,861,326	74,478,229	37,601,939	18,502,754	683,257,152
Liabilities						
Borrowings from central bank	-	(600,000)	-	-	-	(600,000)
Due to banks and other financial institutions	(36,655,244)	(1,020,000)	(250,000)	-	-	(37,925,244)
Placements from banks and other financial institutions	(6,730,611)	(811,507)	-	-	-	(7,542,118)
Derivative financial liabilities	-	-	-	-	(484,418)	(484,418)
Financial assets sold under repurchase agreements	(34,235,254)	(482,913)	-	-	-	(34,718,167)
Customer deposits	(303,657,186)	(124,481,510)	(95,212,426)	-	-	(523,351,122)
Debt securities issued	(11,370,027)	(3,902,783)	-	(3,000,000)	-	(18,272,810)
Other liabilities	-	-	-	-	(14,549,956)	(14,549,956)
Total liabilities	(392,648,322)	(131,298,713)	(95,462,426)	(3,000,000)	(15,034,374)	(637,443,835)
Total interest sensitivity gap	(142,835,418)	171,562,613	(20,984,197)	34,601,939	3,468,380	45,813,317

The tables below illustrate the impact on net interest income in the coming accounting year from the balance sheet dates of the Group, which comes from the assumption of a 100-basis-point parallel shift of yield curve for each currency.

Group				
Item	Year ended 31 December 2017		Year ended 31 December 2016	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points parallel shift in all yield curves	1,097,433	(853,504)	1,237,670	(471,819)
-100 basis points parallel shift in all yield curves	(1,097,433)	1,061,266	(1,237,670)	643,807

Item	Bank			
	Year ended 31 December 2017		Year ended 31 December 2016	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points parallel shift in all yield curves	987,631	(853,504)	1,121,655	(466,607)
-100 basis points parallel shift in all yield curves	(987,631)	1,061,266	(1,121,655)	638,475

In performing the above analysis, the Group has made following assumptions:

- There is no significant change in business operations after balance sheet date;
- The impacts on interest-earning assets and interest-bearing liabilities are the same;
- All interest re-priced assets and liabilities are re-priced in the middle of each specified time period;
- Customers' responses to interest rate movement are not considered;
- Impact of interest rate movement on market prices of assets and liabilities are not considered;
- Impact of interest rate movement on off-balance sheet items are not considered; and
- The necessary actions to be taken by the Bank in response to the interest rate movement are not considered.

Due to these limitations above, the actual impact of interest rate fluctuation may vary from the analysis above.

2.4 Liquidity risk

Other price risks are derived from equity investment held by the group, noble metals investment, and the bonds which are indexed to commodity price change.

The market risks of commodity price or share value fluctuations are not regarded as important by the group.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and other payment calls. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group is required to maintain certain percentage of RMB and foreign currency customer deposits with the PBOC, which are restricted for the Group's daily operation. (Note IX .1)

The matching and controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Group. It is unusual for Banks ever to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The Group provides guarantees and issues letters of credit based on a third party as creditworthiness and deposit amount. Liquidity requirements to support calls under guarantees and letters of credit are considerably less than the amounts under commitments because the Group does not generally expect the third party to draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The Group sets up detailed operating rules for liquidity risk management and rules for liquidity pressure test, so as to improve liquidity risk management. The Asset and Liability Management Committee is in charge of liquidity risk management from the senior management level. The Planning and Finance Department takes the lead role of liquidity risk management. Its daily work includes the management of big amount forecast and excess reserves, calculation, monitoring, and control of liquidity regulation index, matching assets with liabilities, as well as management of sudden risks of liquidity emergency and pressure test.

2.4.1 Non-derivative financial instruments cash flows

The tables below present the cash flows receivables and payable under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

Group								
As at 31 December 2017								
Item	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Financial assets								
Cash and balances with central bank	87,457,629	8,645,313	-	-	-	-	-	96,102,942
Due from banks and other financial institutions	-	3,179,136	3,203,010	8,579,427	4,958,767	-	-	19,920,340
Placements with banks and other financial institutions	-	-	7,463,742	4,253,178	21,453,431	3,592,548	-	36,762,899
Financial assets at fair value through profit or loss	10,417	-	98,829	1,432,539	854,347	160,927	-	2,557,059
Financial assets purchased under resale agreements	-	-	26,763,424	-	-	-	-	26,763,424
Loans and advances to customers	5,518,608	-	24,986,737	23,131,661	105,764,961	80,494,716	136,777,593	376,674,276
Available-for-sale financial assets	1,526,047	-	7,900,655	8,775,922	46,456,689	38,101,636	12,911,652	115,672,601
Held-to-maturity investments	20,000	-	3,691,350	4,617,305	20,112,397	79,452,730	44,881,896	152,775,678
Investments classified as loans and receivables	-	-	213,652	110,802	1,923,904	11,345,675	796,482	14,390,515
Other financial assets	-	-	124,091	-	-	-	-	124,091
Total financial assets (contractual maturity dates)	94,532,701	11,824,449	74,445,490	50,900,834	201,524,496	213,148,232	195,367,623	841,743,825
Financial liabilities								
Borrowings from central bank	-	-	(35,006)	(3,055,832)	(3,895,607)	-	-	(6,986,445)
Due to banks and other financial institutions	-	(9,337,442)	(727,633)	(462,063)	-	-	-	(10,527,138)
Placements from banks and other financial institutions	-	-	(17,786,016)	(9,307,605)	(2,482,395)	-	-	(29,576,016)
Financial assets sold under repurchase agreements	-	-	(45,541,847)	(5,876,590)	(991,888)	-	-	(52,410,325)
	-	(131)	-	-	-	-	-	(131)
Customer deposits	-	(292,228,932)	(35,244,544)	(55,791,992)	(109,751,842)	(116,898,529)	-	(609,915,839)
Debt securities issued	-	-	(6,860,000)	(4,930,000)	(1,390,000)	-	(10,000,000)	(23,180,000)
Other financial liabilities	-	-	(1,101,621)	-	-	-	-	(1,101,621)
Total financial liabilities (contractual maturity dates)	-	(301,566,505)	(107,296,667)	(79,424,082)	(118,511,732)	(116,898,529)	(10,000,000)	(733,697,515)
Net value	94,532,701	(289,742,056)	(32,851,177)	(28,523,248)	83,012,764	96,249,703	185,367,623	108,046,310

Group								
As at 31 December 2016								
Item	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Financial assets								
Cash and balances with central bank	77,395,958	9,370,175	-	-	-	-	-	86,766,133
Due from banks and other financial institutions	-	2,765,690	2,871,009	4,289,545	1,439,481	-	-	11,365,725
Placements with banks and other financial institutions	-	-	4,912,878	7,710,078	18,647,692	1,959,961	-	33,230,609
Financial assets at fair value through profit or loss	-	-	1,529,353	1,243,225	366,392	172,419	-	3,311,389
Financial assets purchased under resale agreements	-	-	5,574,750	-	-	-	-	5,574,750
Loans and advances to customers	5,652,936	-	18,290,510	12,734,226	120,285,888	83,632,547	100,451,130	341,047,237
Available-for-sale financial assets	1,200,967	-	7,651,485	17,056,271	67,554,710	26,799,206	5,945,620	126,208,259
Held-to-maturity investments	-	-	378,558	2,235,833	21,974,210	50,419,286	34,954,120	109,962,007
Investments classified as loans and receivables	-	-	1,778,450	1,256,555	3,235,654	9,222,839	-	15,493,498
Other financial assets	-	-	127,850	-	-	-	-	127,850
Total financial assets (contractual maturity dates)	84,249,861	12,135,865	43,114,843	46,525,733	233,504,027	172,206,258	141,350,870	733,087,457
Financial liabilities								
Borrowings from central bank	-	-	(20,004)	(70,019)	(973,399)	-	-	(1,063,422)
Due to banks and other financial institutions	-	(11,063,748)	(18,539,628)	(2,955,495)	-	-	-	(32,558,871)
Placements from banks and other financial institutions	-	-	(2,061,701)	(4,699,269)	(823,479)	-	-	(7,584,449)
Financial assets sold under repurchase agreements	-	-	(33,497,235)	(796,953)	(496,658)	-	-	(34,790,846)
Customer deposits	-	(242,459,118)	(49,246,459)	(49,302,391)	(113,599,908)	(99,881,190)	-	(554,489,066)
Debt securities issued	-	-	(4,430,000)	(6,990,000)	(3,950,000)	-	(3,000,000)	(18,370,000)
Other financial liabilities	-	-	(268,565)	-	-	-	-	(268,565)
Total financial liabilities (contractual maturity dates)	-	(253,522,866)	(108,063,592)	(64,814,127)	(119,843,444)	(99,881,190)	(3,000,000)	(649,125,219)
Net value	84,249,861	(241,387,001)	(64,948,749)	(18,288,394)	113,660,583	72,325,068	138,350,870	83,962,238

Bank								
As at 31 December 2017								
Item	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Financial assets								
Cash and balances with central bank	83,784,705	8,158,303	-	-	-	-	-	91,943,008
Due from banks and other financial institutions	-	2,806,460	528,302	4,707,772	2,092,664	-	-	10,135,198
Placements with banks and other financial institutions	-	-	7,463,742	4,253,178	21,453,431	3,592,548	-	36,762,899
Financial assets at fair value through profit or loss	10,417	-	98,829	1,432,539	854,347	160,927	-	2,557,059
Financial assets purchased under resale agreements	-	-	26,763,424	-	-	-	-	26,763,424
Loans and advances to customers	4,321,844	-	24,006,505	22,338,913	99,359,157	78,107,932	133,851,393	361,985,744
Available-for-sale financial assets	1,200,967	-	7,435,741	16,933,315	66,920,810	26,332,225	5,943,694	124,766,752
Held-to-maturity investments	20,000	-	3,691,350	4,617,305	20,112,397	79,452,730	44,881,896	152,775,678
Investments classified as loans and receivables	-	-	213,652	110,802	1,923,904	11,345,675	796,482	14,390,515
Other financial assets	-	-	88,590	-	-	-	-	88,590
Total financial assets (contractual maturity dates)	89,337,933	10,964,763	70,290,135	54,393,824	212,716,710	198,992,037	185,473,465	822,168,867
Financial liabilities								
Borrowings from central bank	-	-	-	(2,995,821)	(3,614,553)	-	-	(6,610,374)
Due to banks and other financial institutions	-	(10,839,965)	(2,364,653)	(1,164,869)	(1,248,592)	-	-	(15,618,079)
Placements from banks and other financial institutions	-	-	(17,786,016)	(9,307,605)	(2,482,395)	-	-	(29,576,016)
Financial assets sold under repurchase agreements	-	-	(45,541,847)	(5,876,590)	(991,888)	-	-	(52,410,325)
	-	(131)	-	-	-	-	-	(131)
Customer deposits	-	(274,370,699)	(34,716,915)	(54,417,007)	(105,505,930)	(112,292,525)	-	(581,303,076)
Debt securities issued	-	-	(6,860,000)	(4,930,000)	(1,390,000)	-	(10,000,000)	(23,180,000)
Other financial liabilities	-	-	(1,098,146)	-	-	-	-	(1,098,146)
Total financial liabilities (contractual maturity dates)	-	(285,210,795)	(108,367,577)	(78,691,892)	(115,233,358)	(112,292,525)	(10,000,000)	(709,796,147)
Net value	89,337,933	(274,246,032)	(38,077,442)	(24,298,068)	97,483,352	86,699,512	175,473,465	112,372,720

Item	Bank							
	As at 31 December 2016							
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Financial assets								
Cash and balances with central bank	74,831,252	7,374,649	-	-	-	-	-	82,205,901
Due from banks and other financial institutions	-	2,300,353	388,264	581,157	646,914	-	-	3,916,688
Placements with banks and other financial institutions	-	-	4,912,878	7,710,078	18,647,692	1,959,961	-	33,230,609
Financial assets at fair value through profit or loss	-	-	1,529,353	1,243,225	366,392	172,419	-	3,311,389
Financial assets purchased under resale agreements	-	-	5,574,750	-	-	-	-	5,574,750
Loans and advances to customers	4,427,227	-	17,274,092	11,241,545	110,996,370	80,465,907	98,871,675	323,276,816
Available-for-sale financial assets	1,200,967	-	7,435,741	16,933,315	66,920,810	26,332,225	5,943,694	124,766,752
Held-to-maturity investments	-	-	378,558	2,235,833	21,974,210	50,419,286	34,954,120	109,962,007
Investments classified as loans and receivables	-	-	1,778,450	1,256,555	3,235,654	9,222,839	-	15,493,498
Other financial assets	-	-	94,050	-	-	-	-	94,050
Total financial assets (contractual maturity dates)	80,459,446	9,675,002	39,366,136	41,201,708	222,788,042	168,572,637	139,769,489	701,832,460
Financial liabilities								
Borrowings from central bank	-	-	-	-	(619,825)	-	-	(619,825)
Due to banks and other financial institutions	-	(12,556,335)	(20,037,802)	(4,219,448)	(1,056,598)	(274,333)	-	(38,144,516)
Placements from banks and other financial institutions	-	-	(2,061,701)	(4,699,269)	(823,479)	-	-	(7,584,449)
Financial assets sold under repurchase agreements	-	-	(33,497,235)	(796,953)	(496,658)	-	-	(34,790,846)
Customer deposits	-	(222,303,071)	(48,466,988)	(47,512,097)	(109,532,222)	(95,536,744)	-	(523,351,122)
Debt securities issued	-	-	(4,430,000)	(6,990,000)	(3,950,000)	-	(3,000,000)	(18,370,000)
Other financial liabilities	-	-	(262,189)	-	-	-	-	(262,189)
Total financial liabilities (contractual maturity dates)	-	(234,859,406)	(108,755,915)	(64,217,767)	(116,478,782)	(95,811,077)	(3,000,000)	(623,122,947)
Net value	80,459,446	(225,184,404)	(69,389,779)	(23,016,059)	106,309,260	72,761,560	136,769,489	78,709,513

2.4.2 Derivative financial instruments cash flows

(i) Derivative financial instruments settled on a net basis

Derivatives that will be settled on a net basis refer to interest rate derivatives and precious metals derivatives. The tables below set forth the Group's net derivative financial instruments position by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group and Bank						
As at 31 December 2017						
Item	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Interest rate derivatives	947	(1,106)	450	1,015	-	1,306
Precious metals derivatives	(75)	(13,819)	(684)	-	-	(14,578)
Total	872	(14,925)	(234)	1,015	-	(13,272)

Group and Bank						
As at 31 December 2016						
Item	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Interest rate derivatives	198	(1,849)	(4,304)	8,658	-	2,703
Precious metals derivatives	2,130	(100)	(1,920)	-	-	110
Total	2,328	(1,949)	(6,224)	8,658	-	2,813

(ii) Derivative settled on a gross basis

Derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group's position by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group and Bank						
As at 31 December 2017						
Item	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Exchange rate derivatives						
-Cash inflow	10,305,212	14,896,084	8,340,547	-	-	33,541,843
-Cash outflow	(10,509,982)	(15,098,351)	(8,500,938)	-	-	(34,109,271)
Sub-total	(204,770)	(202,267)	(160,391)	-	-	(567,428)
Currency rate derivatives						
-Cash inflow	2,550,996	-	1,070,440	-	-	3,621,436
-Cash outflow	(2,577,126)	-	(1,080,634)	-	-	(3,657,760)
Sub-total	(26,130)	-	(10,194)	-	-	(36,324)
Total	(230,900)	(202,267)	(170,585)	-	-	(603,752)

Group and Bank						
As at 31 December 2016						
Item	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Exchange rate derivatives						
-Cash inflow	7,338,069	15,583,740	11,274,023	-	-	34,195,832
-Cash outflow	(7,276,943)	(15,445,906)	(11,292,432)	-	-	(34,015,281)
Total	61,126	137,834	(18,409)	-	-	180,551

2.4.3 Off-balance-sheet items

Group				
As at 31 December 2017				
Item	Less than 1 year	1-5 years	More than 5 years	Total
Loan commitments	5,643,336	4,199,536	13,265,948	23,108,820
Acceptances	6,718,758	-	-	6,718,758
Letters of guarantee	3,390,535	1,630,968	-	5,021,503
Letters of credit	1,582,546	2,902	-	1,585,448
Operating lease commitments	195,177	540,237	201,135	936,549
Capital commitments	176,723	169,026	-	345,749
Total	17,707,075	6,542,669	13,467,083	37,716,827

Group				
As at 31 December 2016				
Item	Less than 1 year	1-5 years	More than 5 years	Total
Loan commitments	4,418,858	5,522,155	9,301,478	19,242,491
Acceptances	9,200,709	-	-	9,200,709
Letters of guarantee	2,251,678	2,534,754	-	4,786,432
Letters of credit	1,263,950	-	-	1,263,950
Operating lease commitments	193,997	547,813	172,318	914,128
Capital commitments	346,362	275,240	-	621,602
Total	17,675,554	8,879,962	9,473,796	36,029,312

Bank				
As at 31 December 2017				
Item	Less than 1 year	1-5 years	More than 5 years	Total
Loan commitments	5,643,336	4,199,536	13,265,948	23,108,820
Acceptances	6,718,758	-	-	6,718,758
Letters of guarantee	3,390,535	1,630,968	-	5,021,503
Letters of credit	1,582,546	2,902	-	1,585,448
Operating lease commitments	161,324	427,951	142,720	731,995
Capital commitments	173,118	169,026	-	342,144
Total	17,669,617	6,430,383	13,408,668	37,508,668

Bank				
As at 31 December 2016				
Item	Less than 1 year	1-5 years	More than 5 years	Total
Loan commitments	4,418,858	5,522,155	9,301,478	19,242,491
Acceptances	9,200,709	-	-	9,200,709
Letters of guarantee	2,251,678	2,534,754	-	4,786,432
Letters of credit	1,263,950	-	-	1,263,950
Operating lease commitments	165,524	452,579	130,704	748,807
Capital commitments	346,362	275,240	-	621,602
Total	17,647,081	8,784,728	9,432,182	35,863,991

3.1 Assets and liabilities measured at fair value

3.1.1 Fair value hierarchy of assets and liabilities measured at fair value

Item	Group			
	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	2,515,427	-	2,515,427
Available-for-sale financial assets				
-Debt securities	-	44,646,889	-	44,646,889
-Equity investments	1,514,547	-	-	1,514,547
-Trusts and asset management plans	-	-	15,193,593	15,193,593
-Wealth management products issued by other banks	-	-	30,835,554	30,835,554
-Securities investment funds	13,082,339	-	-	13,082,339
Derivatives financial assets				
- Exchange rate derivatives	-	248,277	-	248,277
- Currency derivatives	-	14,488	-	14,488
- Interest rate derivatives	-	92,836	-	92,836
- Precious metal	-	20,096	-	20,096
Total financial assets	14,596,886	47,538,013	46,029,147	108,164,046
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	(131)	-	(131)
Derivatives financial liabilities				
- Exchange rate derivatives	-	(740,671)	-	(740,671)
- Currency derivatives	-	(14,488)	-	(14,488)
- Interest rate derivatives	-	(90,445)	-	(90,445)
- Precious metal	-	(34,686)	-	(34,686)
Total financial liabilities	-	(880,421)	-	(880,421)

Item	Group			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	3,273,212	-	3,273,212
Available-for-sale financial assets				
-Debt securities	-	37,781,009	-	37,781,009
-Equity investments	529,129	-	660,000	1,189,129
-Trusts and asset management plans	-	-	15,818,783	15,818,783
-Wealth management products issued by other banks	-	-	58,099,272	58,099,272
-Securities investment funds	7,891,440	-	-	7,891,440
Derivatives financial assets				
- Exchange rate derivatives	-	498,606	-	498,606
- Interest rate derivatives	-	163,344	-	163,344
- Precious metal	-	6,948	-	6,948
Total financial assets	8,420,569	41,723,119	74,578,055	124,721,743

Item	Group			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(316,255)	-	(316,255)
- Interest rate derivatives	-	(161,323)	-	(161,323)
- Precious metal	-	(6,840)	-	(6,840)
Total financial liabilities	-	(484,418)	-	(484,418)

Item	Bank			
	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	2,515,427	-	2,515,427
Available-for-sale financial assets				
-Debt securities	-	44,646,889	-	44,646,889
-Equity investments	1,514,547	-	-	1,514,547
-Trusts and asset management plans	-	-	14,520,351	14,520,351
-Wealth management products issued by other banks	-	-	30,835,554	30,835,554
-Securities investment funds	13,082,339	-	-	13,082,339
Derivatives financial assets				
- Exchange rate derivatives	-	248,277	-	248,277
- Currency derivatives	-	14,488	-	14,488
- Interest rate derivatives	-	92,836	-	92,836
- Precious metal	-	20,096	-	20,096
Total financial assets	14,596,886	47,538,013	45,355,905	107,490,804
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	(131)	-	(131)
Derivatives financial liabilities				
- Exchange rate derivatives	-	(740,671)	-	(740,671)
- Currency rate derivatives	-	(14,488)	-	(14,488)
- Interest rate derivatives	-	(90,445)	-	(90,445)
- Precious metal	-	(34,686)	-	(34,686)
Total financial liabilities	-	(880,421)	-	(880,421)

Item	Bank			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	3,273,212	-	3,273,212
Available-for-sale financial assets				
-Debt securities	-	37,015,018	-	37,015,018
-Equity investments	529,129	-	660,000	1,189,129
-Trusts and asset management plans	-	-	15,172,754	15,172,754

Item	Bank			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
-Wealth management products issued by other banks	-	-	58,099,272	58,099,272
-Securities investment funds	7,891,440	-	-	7,891,440
Derivatives financial assets				
- Exchange rate derivatives	-	498,606	-	498,606
- Interest rate derivatives	-	163,344	-	163,344
- Precious metal	-	6,948	-	6,948
Total financial assets	8,420,569	40,957,128	73,932,026	123,309,723
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(316,255)	-	(316,255)
- Interest rate derivatives	-	(161,323)	-	(161,323)
- Precious metal	-	(6,840)	-	(6,840)
Total financial liabilities	-	(484,418)	-	(484,418)

There were no transfers between Level 1 and 2 during the current and prior years.

3.1.2 Reconciliation of level 3 items

Item	Group			Total
	Available-for-sale financial assets			
	Equity instruments	Wealth management products issued by other banks	Trusts and asset management plans	
Balance as at 1 January 2017	660,000	58,099,272	15,818,783	74,578,055
Transfer out	(660,000)	-	-	(660,000)
Total gain or loss recognised in				
- Profit or loss	-	1,934,946	316,388	2,251,334
- Other comprehensive income	-	(13,718)	235,458	221,740
Purchase/transfer in	-	30,600,000	14,621,930	45,221,930
Disposal/transfer out	-	(59,784,946)	(15,798,966)	(75,583,912)
Balance as at 31 December 2017	-	30,835,554	15,193,593	46,029,147

Item	Group			Total
	Available-for-sale financial assets			
	Equity instruments	Wealth management products issued by other banks	Trusts and asset management plans	
Balance as at 1 January 2016	645,293	37,819,070	8,552,671	47,017,034
Total gain or loss recognised in				
- Profit or loss	(7,717)	887,330	1,116,439	1,996,052
- Other comprehensive income	22,424	249,272	218,641	490,337
Purchase/transfer in	-	57,850,000	14,244,546	72,094,546
Disposal/transfer out	-	(38,706,400)	(8,313,514)	(47,019,914)
Balance as at 31 December 2016	660,000	58,099,272	15,818,783	74,578,055

Bank				
Item	Available-for-sale financial assets			Total
	Equity instruments	Wealth management products issued by other banks	Trusts and asset management plans	
Balance as at 1 January 2017	660,000	58,099,272	15,172,754	73,932,026
Transfer out	(660,000)	-	-	(660,000)
Total gain or loss recognised in				
- Profit or loss	-	1,934,946	965,659	2,900,605
- Other comprehensive income	-	(13,718)	232,216	218,498
Purchase/transfer in	-	30,600,000	13,948,688	44,548,688
Disposal/transfer out	-	(59,784,946)	(15,798,966)	(75,583,912)
Balance as at 31 December 2017	-	30,835,554	14,520,351	45,355,905

Bank				
Item	Available-for-sale financial assets			Total
	Equity instruments	Wealth management products issued by other banks	Trusts and asset management plans	
Balance as at 1 January 2016	645,293	37,819,070	8,552,671	47,017,034
Total gain or loss recognised in				
- Profit or loss	(7,717)	887,330	1,124,576	2,004,189
- Other comprehensive income	22,424	249,272	210,504	482,200
Purchase/transfer in	-	57,850,000	13,598,517	71,448,517
Disposal/transfer out	-	(38,706,400)	(8,313,514)	(47,019,914)
Balance as at 31 December 2016	660,000	58,099,272	15,172,754	73,932,026

3.2 Assets and liabilities not measured at fair value

Assets and liabilities that are not measured at fair value include, among which the difference between carrying value and fair value are small includes: cash and balances with central bank, due from banks and other financial institutions, placements from banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers, investments classified as loans and receivables, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements and Customer deposits.

Except for the financial assets as follows, other assets and liabilities not measured at fair value are excluded from the table below.

Held-to-maturity investments

Fair value of held-to-maturity investment is based on quoted market price. If a quoted market price is not available, discounted cash flow mode can be used for the held-to-maturity investment. In certain circumstances, the Group uses prices of products with similar credit risks, maturity date and rate of return.

Debt securities issued

Fair value of debt securities issued is primarily base on quoted market price. If quoted market price is not available, the fair value is determined using discounted cash flow model with reference to the yield of similar bonds which have the similar remaining terms through maturities.

3.2.1 Financial instruments with significant differences between carrying value and fair value

Item	Group and Bank			
	As at 31 December 2017		As at 31 December 2016	
	Fair value	Carrying amounts	Fair value	Carrying amounts
Financial assets				
Held-to-maturity investments	117,689,927	121,036,032	94,169,315	94,326,945
Financial liabilities				
Debt securities issued	22,482,609	23,099,150	18,067,504	18,272,810

Fair value of the aforementioned assets and liabilities is classified within Level 2.

4. Capital management

The Group's capital management focuses on monitoring of the Capital Adequacy Ratio ("CAR") and Return on Capital, aiming to comply with the regulatory requirements, reflect the expected shareholders' return, support the business expansion and strengthen the risk management function. The Group establishes its CAR target based on regulatory capital requirement and its risk profile, and monitors the CAR against the target by means of setting limits and other necessary procedures.

The Group's business has experienced a steady growth in recent years, which continuously increases the need on capital. To comply with regulatory capital requirement and maximise the shareholders' return, the Group has supplemented its capital base through additional share offering to shareholders.

Since 2013, The Group calculates and discloses Capital Adequacy Ratio in accordance with "The Rules on Capital Adequacy Ratios of Commercial Groups" as amended by CBRC in June 2012. As requested, in the reporting period, credit risk weighted assets are measured by the weighted method, market risk weighted assets are measured by the standard method, and operation risk weighted assets are measured by basic indicator approach.

The tables below summarise the capital adequacy ratio of the Group and Bank as at 31 December 2017 and 31 December 2016:

Item	Group		Bank	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Net Core Tier 1 Capital	51,887,434	46,938,833	49,936,963	43,991,033
Net Tier 1 Capital	51,957,572	46,938,833	49,936,963	43,991,033
Net Capital	67,600,939	55,105,874	65,288,160	51,990,074
Risk-weighted assets	473,617,375	444,671,865	459,459,162	429,282,034
Core Tier 1 Capital Adequacy Ratio (%)	10.96	10.56	10.87	10.25
Tier 1 Capital Adequacy Ratio (%)	10.97	10.56	10.87	10.25
Capital Adequacy Ratio (%)	14.27	12.39	14.21	12.11

XV.RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current year presentation.

XVI.FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors on 28 March 2018.

*** END OF FINANCIAL STATEMENTS***

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