

# 2018 SRCB Annual Report



We Make Banking **Convenient for You**

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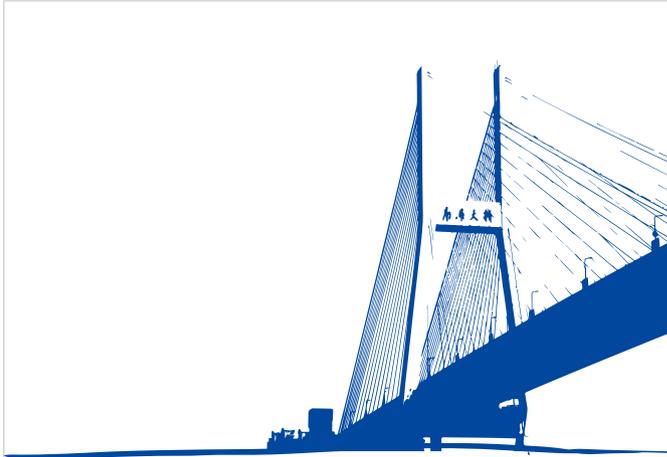
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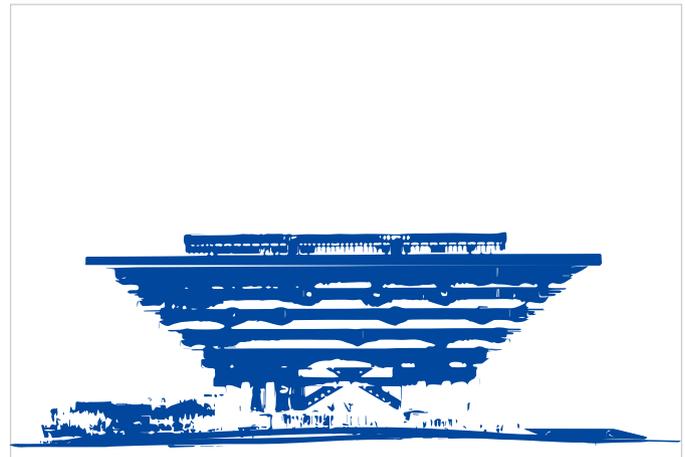
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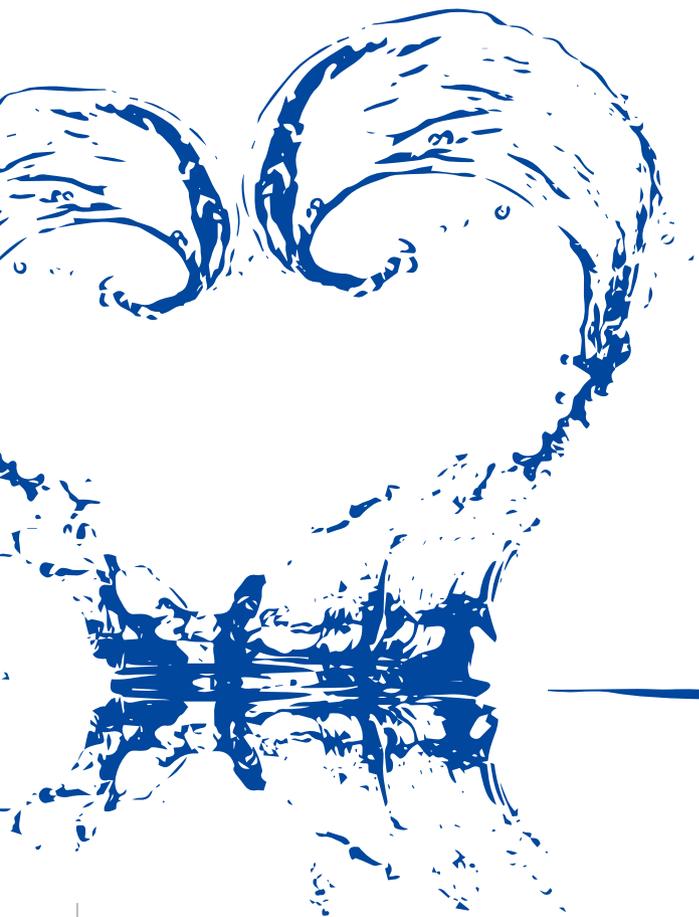
  
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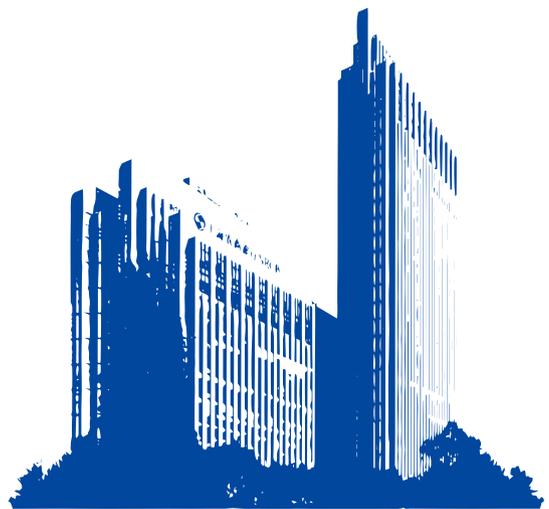
  
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# Introduction

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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 2018 Annual Report of Shanghai Rural Commercial Bank Co., Ltd. has been reviewed and endorsed at the 22<sup>nd</sup> meeting of the 3<sup>rd</sup> Board of Directors and at the 12th meeting of the 3<sup>rd</sup> Board of Supervisors.
- ▶ The 2018 Annual Financial Report has been audited by Deloitte & Touche CPAs (Special General Partnership), 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:

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The Group/Group	Shanghai Rural Commercial Bank and its invested rural banks
The Company/Parent Company/Company/ the Bank/Bank	Shanghai Rural Commercial Bank
CBIRC	China Banking and Insurance Regulatory Commission
Shanghai SASAC	Shanghai State-owned Assets Supervision and Administration Commission
Financial Leasing Company/Yangtze Financial Leasing Company	Yangtze United Financial Leasing Co., Ltd.
Reporting Period	1 January 2018 to 31 December 2018

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# 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](mailto: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

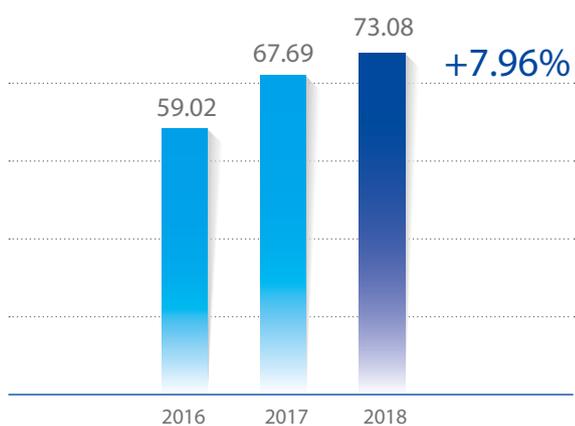
Appointed Auditor: Deloitte & Touche CPAs (special general partnership)

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

# Business Highlights

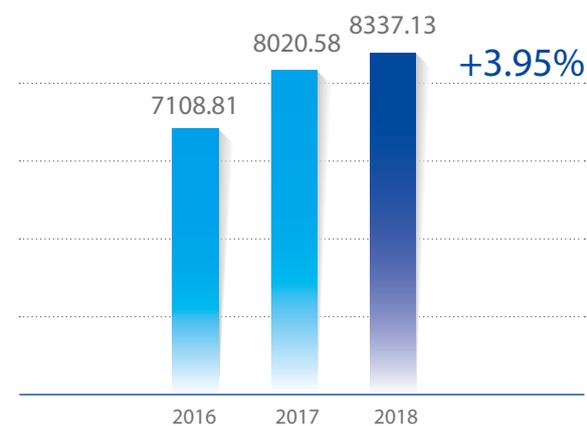
## Net profit in the last three years

(Unit: RMB100 million)



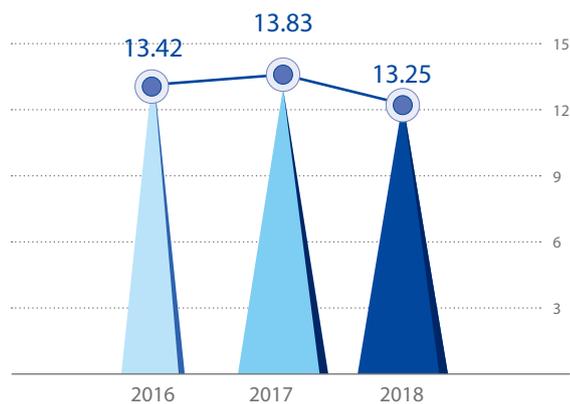
## Total assets in the last three years

(Unit: RMB100 million)



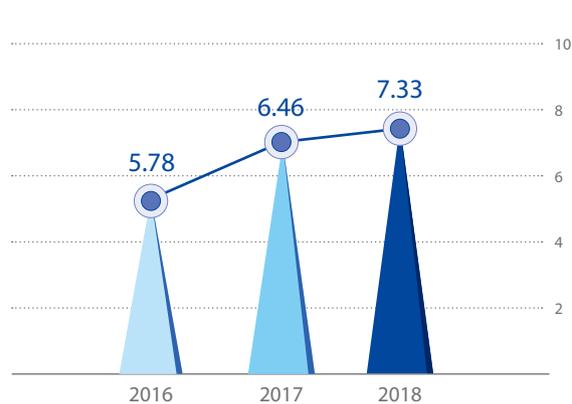
## Weighted average ROE in the last three years

(Unit: %)



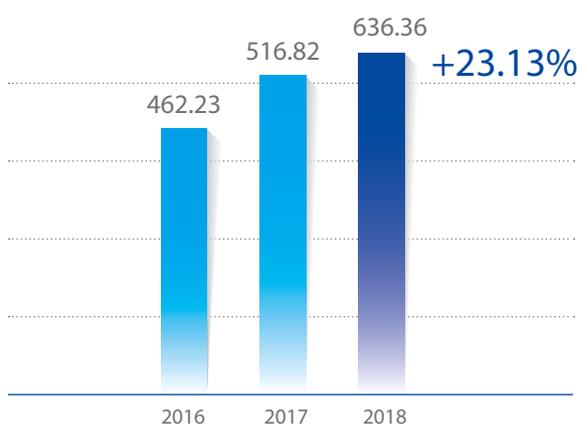
## Net asset per share attributable to shareholders of the parent company in the last three years

(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: %)



# 2018

Unremitting Effort,  
Continuous Achievements



A high-speed photograph of water splashing, creating a dynamic and energetic background. The water is captured in mid-air, with droplets and streams forming a complex, symmetrical pattern. The color is a vibrant blue, and the lighting highlights the texture and movement of the liquid.

## ◀ New Look, Wholehearted Service

## Significant Events in 2018

### January

### February

### March



- Headquarters was officially relocated to the Bund Soho
- 2018 Working Meeting & Party Building Working Meeting was held
- Signed strategic cooperation agreement with Shanghai Women's Football Team
- Implemented the 1st corporate one-stop account-opening business



- Obtained approval on independently carrying out lead underwriting business of B-type debt financing instruments of non-financial institutions
- Received visits by officials of Huangpu District



- S & P up-regulated SRCB's corporate credit rating
- Organized SRCB Rural Bank Assistance Work Launch Meeting

## April

## May

## June



- Completed the 1<sup>st</sup> rental housing project loan
- Signed strategic cooperation agreements with Bright Food (Group) and Jinqiao Group
- Held 2017 Shareholders' Meeting



- Held the 1<sup>st</sup> Joint Meeting of the 3<sup>rd</sup> Employee Representative Congress
- Shanghai SASAC and Shanghai Audit Bureau made acceptance check on SRCB's rectification work on economic liability audit



- Held internal mobilization meeting for A-share IPO
- Zhejiang Expressway Co., Ltd. became a strategic shareholder of the Company
- Successfully issued the 1st corporate RMB structural deposit

## July

## August

## September



- The Company's global ranking increased to 178<sup>th</sup>
- Held 2018 Mid-year Working Meeting & Party Building Working Meeting
- Leaders of the Bank participated in the "Jixiangankang" insurance claim event held in Jiangzi County, Shigatse



- Officially started the Weili Loan—joint loan business with WeBank
- Awarded as the Best Rural Commercial Bank



- Organized inclusive finance promotion meeting
- Adjusted the structure of Planning and Finance Department, and established the Asset and Liability Management Department

# October      November      December



- Announced financial service scheme for scientific innovation and opened the Mass Entrepreneurship and Innovation Sub-branch
- Concluded the 2<sup>nd</sup> "Top Ten Youth Stars" evaluation and selection
- Leaders from the headquarters visited outlets in key areas of China International Import Expo



- Successfully obtained core trader qualification for credit risk mitigation instruments
- Signed cooperation agreement with Shanghai Property Management Affairs Center
- Successfully concluded the 7<sup>th</sup> Employee Sports Meeting
- Successfully organized the Shanghai Commercial Bank Wealth Management Business Joint Meeting



- Held the meeting announcing adjustment of headquarters leaders' team
- Delegation from CBIRC led by Guo Hongyi, director of Agricultural Bank Division visited the Bank
- Launched the "100 billion loans, 100 SMEs and 100 events" project to serve private sector
- The Bank's leaders visited Shanghai CSRC for the filing of IPO
- Successfully launched corporate certificate of deposit business

## Message from the Chairman

At the banks of Huangpu River, the historical bund is located across the river with the modern Lujiazui, witnessing the evolution and progress of banking industry in Shanghai as time goes by with the ebb and flow of the river highlighting the Shanghai culture. In 2018, in this colorful and grand picture, SRCB has sailed across the waves of market cycle, making a significant mark with abundant achievements.

As of 2018 end, the Group's total asset amounted to RMB 833.7 billion; net profit attributable to shareholders, RMB 7.308 billion; deposit balance, RMB 645.1 billion; loan balance, RMB 411.7 billion; CAR, 15.86%; provision coverage rate, 342.28%; ROA, 0.89%; ROE, 13.25%. Overall strength has steadily enhanced with continuously improving profitability and stable asset quality, which has returned shareholders' trust, employees' expectation and care and interest of the society.

**In the past one year, faced with complex and severe external situation as well as fluctuating market environment,** we carefully followed and implemented national macro-regulation and regulatory policies, deepened the execution of three-year development strategy, adhered to the target of independent IPO, focused on key areas such as comprehensive marketing, product innovation and process remodeling etc., accelerated the development of retail finance, SME finance and scientific and technological finance, and expanded the coverage of "agricultural" financial services. We sought progress while maintaining stability, improved quality and efficiency, and fully enhanced customer service capability to build a service-oriented bank that creates values for customers.

**In the past one year, we constantly reminded ourselves to stand higher.** We answered the call of building Shanghai into a "Scientific Innovation Center" and promoting "Four Brands", innovated boldly in system, procedure and product etc., built a new model for scientific and technological financial services that has clear targets, controllable risks, and sustainable development. We successfully opened the Yangpu Sub-branch for mass entrepreneurship and innovation, promoted the "2+N" special system serving science and technology, introduced the "Xindongneng" program for SMEs in strategic emerging industries such as AI, bio-pharmacy, IT, high-end manufacturing, energy-saving and environmental protection etc., developed comprehensive financial service schemes across the whole life cycle from start-up, growth, and expansion to maturity phases. We put the Central Government's requirements on Shanghai as the anchor, insisted on innovation and strengthened the innovative services to modern urban agriculture. Considering that Shanghai is transforming from traditional agriculture to urban agriculture, we launched the "Agricultural Revolving Loan", "Agricultural Company Brand Pledge Loan", and "Agricultural Machinery Loan" to continuously strengthen innovative services to modern urban agriculture. We devoted ourselves to the Yangtze River Delta Region Integration Strategy, took the lead in building the Dialogue Platform of Rural Financial Institutions in Yangtze River Delta Region, and injected vitality to the integration of Yangtze River Delta Region with "two wings".

**In the past one year, we always kept ourselves closer to customers.** We remained true to our original aspiration of bringing convenience and benefit to customers as a local commercial bank, made it our mission to practice inclusive finance, strengthened top design and policy support, continuously benefited customers, optimized business environment, enhanced the quality and efficiency of SME and "Agricultural" financial services, fully met the regulatory requirements of "two increases and two controls (i.e. the year-on-year growth of SME loan with a single ticket size below RMB 10 million should be no lower than the average year-on-year growth of all loans, number of loan accounts should be no lower than the level of the same period last year; reasonably control the SME loan asset quality and comprehensive loan cost)", and "three no lower than (i.e. SME loan growth should be no lower than the average loan growth, number of SME accounts no lower than the level at the same period last year, and the SME loan approval rate no lower than the level at the same period last year)", met the "second level" evaluation standard of targeted cuts to required reserve ratios set by PBOC so that customers feel that they can "access and afford the loans" of SRCB. We deeply promoted the second transformation of retail business, deepened the efficiency management of outlets, accelerated the development of e-channels, fully rolled out intelligent teller machines which emancipated traditional counter tellers with Fintech, and significantly improved customer experience with "face to face services".

**In the past one year, we always kept in mind doing more to honor our social responsibility.** We fully supported the development of sports in Shanghai by sponsoring Shanghai Women's Football Team which can give back to the society with better performance. We were devoted to social welfare by exploring and improving the "SRCB Charity Model", continued to donate RMB 2 million to "Jixiang Ankang" charity project which left memorable smiles on the faces of famers and herdsmen who received insurance claims. We actively participated in the "Company-Village Pair Assistance" precise poverty relief initiative by sponsoring the construction of roads and waste incineration tanks in three villages of Maguan County, Wenshan Prefecture, Yunnan Province. The "Little Financier" nursery class for summer vacation has become a role model for the public good which disseminates financial knowledge while providing assurance to busy parents. We donated RMB 1 million to Shanghai United Foundation to set up the "SRCB Special Charity Fund". We proactively involved in public education and precise poverty relief by the promotion of financial knowledge, volunteer services, charity donations, assistance in poverty relief, and care to vulnerable groups across community outlets and in remote mountains. SRCB people have acted for the public good with substantial initiatives and fulfilled the social undertaking of an enterprise.

**In the past one year, we were closer to the IPO target.** Corporate governance capability further improved with steadily enhancing compliance and internal control management and asset quality. We completed the new round of capital and share increase which lifted the number of shares from 8 billion shares to 8.68 billion. We fully kicked off the IPO preparatory work and sprinted for becoming a publicly-listed company.



RMB **833.7** bn  
Group Asset



RMB **7.308** bn  
Net Profit Attributable to  
the Parent Company



**8.68** bn shares  
Total Equity



**178**<sup>th</sup>  
Among Top 1000 World  
Banks 2018



**191**<sup>st</sup>  
Global Top 500 Most  
Valuable Bank  
Brands 2019



Party Secretary and Chairman: XuLi

**In the past one year, our market position became more stable.** SRCB ranked 178<sup>th</sup> on the UK The Banker's list of "Top 1000 World Banks 2018", 9 places higher than 2017. SRCB ranked the 25<sup>th</sup> among Chinese commercial banks on the list. SRCB ranked 191<sup>st</sup> on the list of "Global Top 500 Most Valuable Bank Brands 2019", 32 places higher than 2018. The "GYROSCOPE" ranked SRCB the 2nd. In 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's rating was adjusted up by S&P for two years in a row.

The achievements made last year have laid a solid foundation for the Bank's long-term sustainable development. Behind those achievements are our sincere services to customers and their unremitting support to us. In 2019, we will continue to center on customers, deepen operation transformation, promote customer development with comprehensive means of marketing, facilitate customer transformation with innovative financial products and services, and improve customer experience with efficient process management. Practice the philosophy of "staying closer to customers" by taking initiatives in making financial services available to the public, the private sector and the real economy; strengthen the specialty of "facilitating customers" by accelerating product innovation, optimizing service process, deepening the application of Fintech and providing customers with convenient services; honor the commitment of "benefiting the people" by establishing a fair credit culture, continuously reducing fees and giving back, actively lowering customer's cost, fully improving the service capability of creating values for customers, and sparing no effort in building a service-oriented bank.

On the vast ocean that sees no boundary, let's set sail following the wind. The new era harbors new opportunities and calls for new actions. President Xi Jinping's "four positioning" requirements of Shanghai are the baseline for all our work and the important guideline we must fully follow this year. In 2019, we will remain true to our original aspiration, be determined to involve in the integrated development strategy of the Yangtze River Delta Region more proactively, base in Shanghai while serving the Yangtze River Delta Region, return to the original mission of financial institution, deepen services to the real economy with professionalism, improve customer experience, create values to customers, continuously improve corporate governance and compliance, and promote the IPO strategy solidly. There is no destination that is too far to arrive at as long as you aspire for it. We will vigorously create a new landscape of a service-oriented bank with passion, creativity and commitment, and continue to write new reform and development chapters of SRCB together.

Chairman:

## Message from the President



Deputy Party Secretary, Vice Chairman and President: Gu Jianzhong

We have journeyed through another year together along the Huangpu River with abundant achievements.

In the past one year, SRCB's asset reached RMB 812.9 billion, up by 4.7%; RMB and foreign currency deposit balance following CBIRC definition was RMB 621 billion, up by 6.8%; RMB and foreign currency loan balance was RMB 399.6 billion, up by 10.4%. Our competitiveness on the financial market has continuously strengthened with the Bank accounting for 7.85% in Shanghai's RMB deposit balance, and 6.96% in Shanghai's RMB loan balance, all ranking 5th in Shanghai.

The year of 2018 was a remarkable year in the financial industry, and also a crucial year connecting and realizing the three-year strategic development targets. We confronted the difficulties head on in face of the continuously-changing economic situation, moved forward audaciously on the fiercely competitive financial market, and dealt

with the operation environment that is growing more and more complex. We are always on the way forward without stop, acting with the knowledge of the situation, embracing challenges and adapting to the trend.

**We are well aware that management is the starting point of business logic.** We continuously solidified the foundation for management, improved ways of management, strengthened top design, and improved our capabilities while exploring new market to fully enhance the level of management. As for asset and liability management, we clearly defined development targets, optimized the functions of each line, planned and allocated resources more precisely, fully utilized scientific management tools to improve budgeting and resource allocation mechanism and to lead the transformation of business structure in the Bank; as for compliance and risk management, we implemented strict governance by



7.85%

Share of RMB Deposit in  
Shanghai

6.96%

Share of RMB Loan in  
Shanghai5<sup>th</sup>Ranking of RMB Deposit  
and Loan Share in Shanghai

strengthening risk management, building embedded risk control model, promoting activities such as the "Year of Compliance Quality Management", strengthening audit and supervision as well as the application of audit results; as for HR management, we put people first, continuously optimized the talent discovery, training and cultivation mechanisms, improved the back-up talent pool at every level, initiated high-quality cultivation management measures, optimized the assessment schemes of leaders and employees, adjusted business structure with evaluation as orientation, and improved level of management.

**We are well aware that transformation is the objective of the Bank's operation.** We continuously promoted transformation and development, centered on customers, transformed the management thinking, enhanced business process, optimized operation system, and focused on building a "service-oriented" quality bank. As for serving the real economy, we remained true to our original aspiration, fully supported the development of private enterprises and inclusive financial businesses by establishing senior management committee for inclusive finance, a smooth service process, and specialized products for private enterprises, becoming a leading benchmark for serving SMEs, "agriculture" and scientific innovation in Shanghai; we attached great importance to the secondary transformation of retail business, combined with Fintech to deeply promote structural transformation, optimize retail business model, expand online customer acquisition channels, develop services for the convenience of customers, improve customers' comprehensive experience, and build Trade Union Member Card and Financial Social Security Card into a special differentiator in the financial services to the public.

**We are well aware that innovation is the key to development.** We continuously strengthened business innovation, increased the proportion of fee income from innovative businesses, promoted the development of financial market trading business, and fully improved comprehensive financial service level. In 2018, our number of bond transaction accounts increased by 40% year-on-year. The annual transaction volume of money and bond market trading ranked No. 1 among rural commercial banks in China; the underwriting of three policy banks ranked among top 15 in China's banking industry; gold transaction volume ranked 17th in China's banking industry, up by 54 places year-on-year; became one of China's first batch of X-Lending system market makers; became the only core dealer of credit risk mitigation instrument among China's rural commercial banks; became one of the first batch of commercial banks with online interbank deposit trading qualification.

**We are well aware that only the progressive and brave can win the leading position in competition.** We are progressing, and catching up. We are catching up with the pace of customers, our own expectation, and the mission of the era. For that, we will uphold the Xi Jinping thought on socialism with Chinese characteristics for a new era, follow "refined management, professional operation, and differentiating features", take creating values for customers as our mission, building a service-oriented bank as the objective, remain true to our original aspiration, diligently fulfill our roles down to earth, strive to promote high-quality sustainable development and write new encouraging chapters for SRCB.

We will continue to join hands in the journey ahead along the Huangpu River.

President:



Chairman of the Supervisory Board

**Li Jianguo**



Deputy Party Secretary,  
Secretary of Discipline Inspection Commission,  
Vice Chairman of the Supervisory Board

**Ma Yongjian**



Vice President  
Li Jin



Vice President  
Jin Jianhua



Vice President  
Yu Minhua



Vice President  
Kang Jie



# New Start

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# 2/1

## 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

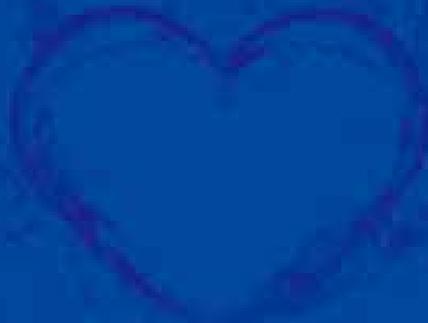
Supplemental Statement for Income over the Previous Three Years by the End of the Reporting Period

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	8,725,850	8,902,724
Net profit attributable to shareholders of the parent company	7,308,149	7,402,443
Net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses	7,212,931	7,316,644
Operating profit	8,698,242	8,873,582
Investment income	1,549,429	1,561,512
Net non-operating income and expenses	27,608	29,142
Net cash flow from operating activities	-5,293,186	-4,047,675
Net increase in cash and cash equivalents	3,694,440	4,237,747

## 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		
	2018	2017	2016	2018	2017	2016
Operating revenue	20,145,482	17,920,775	15,696,639	19,203,299	16,711,208	14,684,633
Net profit attributable to shareholders of the parent company	7,308,149	6,769,082	5,902,491	7,402,443	6,585,534	5,849,763
Total assets	833,712,752	802,057,599	710,880,558	812,908,794	776,447,294	683,257,152
Deposit balance <sup>1</sup>	645,089,565	609,085,737	553,774,691	620,991,725	581,303,076	523,351,122
Loan balance	411,654,911	374,834,822	339,071,488	399,612,927	361,985,744	323,276,817
Owner's equity attributable to shareholders of the parent company	63,635,638	51,682,125	46,222,920	63,187,601	51,092,333	45,813,317
Basic earnings per share attributable to shareholders of the parent company (Yuan)	0.91	0.85	0.74	0.93	0.82	0.73
Basic earnings per share attributable to shareholders of the parent company after deducting non-recurring profits and losses (Yuan)	0.90	0.81	0.72	0.91	0.79	0.72
Net assets per share attributable to shareholders of the parent company (Yuan)	7.33	6.46	5.78	7.28	6.39	5.73
Net cash flow from the operating activities per share (Yuan)	-0.66	-0.29	6.75	-0.51	0.30	6.12
Cost-to-Income ratio (%)	32.00	33.80	37.52	31.51	33.72	37.26
Weighted-average ROE (%)	13.25 <sup>2</sup>	13.83	13.42	13.55	13.59	13.42
Weighted average ROE after deducting non-recurring profits and losses (%)	13.08	13.24	13.09	13.39	13.08	13.14

<sup>1</sup> The definition of deposit and loan balance follows CBIRC's "1104" standard.

<sup>2</sup> The Group's weighted-average ROE (%) and weighted average ROE after deducting non-recurring profits and losses (%) are calculated based on net profit and net assets attributable to common shareholders of the parent company.

### 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		
	2018	2017	2016	2018	2017	2016
Opening balance	13,591,904	11,344,177	9,928,549	12,662,611	10,371,884	9,168,881
Accrued from profits or losses during the year's reporting period	4,806,479	3,533,312	2,164,460	4,088,213	3,090,113	1,802,064
Other transfer-in during the reporting period	486,271	320	3,319	486,271	268,450	3,319
Recovery during the reporting period	127,316	139,946	149,240	83,373	138,821	149,240
Transfer-out during the reporting period	-893,834	-734,360	-164,636	-861,144	-700,205	-156,226
Writing-off during the reporting period	-1,231,818	-691,491	-736,755	-628,336	-506,452	-595,394
Closing balance	16,886,318	13,591,904	11,344,177	15,830,988	12,662,611	10,371,884
Balance of provision for loan losses	15,872,769	12,345,320	9,670,686	14,351,550	11,096,639	8,698,393
Accrual during the reporting period	4,795,753	3,382,968	2,090,324	3,935,514	2,627,578	1,727,928
Transfer-in during the reporting period	126,862	140,266	152,559	83,843	407,271	152,559
Write-off or transfer-out during the reporting period	-1,395,166	-848,600	-862,492	-764,446	-636,603	-712,721

### 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		
	2018	2017	2016	2018	2017	2016
Total liabilities	768,911,147	749,040,695	663,186,893	749,721,193	725,354,961	637,443,835
Deposit balance <sup>3</sup>	645,089,565	609,085,737	553,774,691	620,991,725	581,303,076	523,351,122
Total interbank borrowing	21,267,300	29,415,649	7,542,118	21,267,300	29,415,649	7,542,118
Loan balance	411,654,911	374,834,822	339,071,488	399,612,927	361,985,744	323,276,817
Wherein: Corporate loans	238,590,202	222,713,820	191,864,433	233,527,606	216,105,656	183,163,344
Discount	66,000,603	53,607,528	61,106,347	66,000,603	53,607,528	61,103,106
Personal loans	107,064,106	98,513,474	86,100,708	100,084,718	92,272,560	79,010,367

### 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		
	2018	2017	2016	2018	2017	2016
Operating profit	8,698,242	8,154,492	7,223,315	8,873,582	7,815,184	7,012,221
Net profit attributable to shareholders of the parent company	7,308,149	6,769,082	5,902,491	7,402,443	6,585,534	5,849,763
Net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses	7,212,931	6,480,455	5,757,619	7,316,644	6,336,230	5,728,476

<sup>3</sup> The definition of deposit and loan balance follows CBIRC's "1104" standard.

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

Items	Standard	The Group			The Bank		
		2018	2017	2016	2018	2017	2016
Capital adequacy ratio	≥10.5%	15.86%	14.27%	12.39%	15.75%	14.21%	12.11%
Tier 1 capital adequacy ratio	≥8.5%	12.70%	10.97%	10.56%	12.57%	10.87%	10.25%
Core capital adequacy ratio	≥7.5%	12.69%	10.96%	10.56%	12.57%	10.87%	10.25%
Liquidity ratio	≥25%	46.52%	37.28%	40.43%	45.45%	37.65%	41.04%
Liquidity coverage ratio	≥100%	241.76%	132.43%	121.23%	209.86%	121.29%	115.39%
NPL% <sup>4</sup>	≤5%	1.13%	1.30%	1.29%	0.97%	1.08%	1.13%
Loan provision ratio		3.86%	3.29%	2.85%	3.59%	3.06%	2.69%
Provision coverage ratio		342.28%	253.50%	221.27%	370.84%	283.58%	237.58%
Proportion of loans to the largest customer	≤10%	4.34%	4.33%	4.41%	4.47%	4.48%	4.67%
Proportion of loans to the top ten customers		23.48%	23.33%	25.59%	24.19%	24.16%	27.12%

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

Unit: RMB 1000 Yuan

Items	The Bank		
	Dec.31, 2018	Dec.31, 2017	Dec.31, 2016
Net capital	77,351,599	65,288,160	51,990,074
Core tier-I net capital	61,703,515	49,936,963	43,991,033
Tier-I net capital	61,703,515	49,936,963	43,991,033
Total risk-weighted assets	491,064,518	459,459,162	429,282,034
Core tier-I capital adequacy ratio	12.57%	10.87%	10.25%
Tier-I capital adequacy ratio	12.57%	10.87%	10.25%
Capital adequacy ratio	15.75%	14.21%	12.11%

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

Unit: RMB 1000 Yuan

Items	Standard value	The Group			The Bank		
		2018	2017	2016	2018	2017	2016
Net tier-I capital		63,817,220	51,957,572	46,938,833	61,703,515	49,936,963	43,991,033
Adjusted Asset balance on/off balance sheet		870,091,107	834,076,923	744,096,690	848,173,052	807,614,780	715,395,773
Leverage ratio	≥4%	7.33%	6.23%	6.31%	7.27%	6.18%	6.15%

## 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	8,000,000	5,111,058	36,522	12,539,563	7,988,262	17,416,928	51,092,333
Closing Balance	8,680,000	9,219,974	1,220,431	14,787,870	8,849,095	20,430,231	63,187,601

<sup>4</sup> The calculation of loan balance for NPL% and loan provision ratio follows CBIRC's "1104" standard.

# 2/2 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

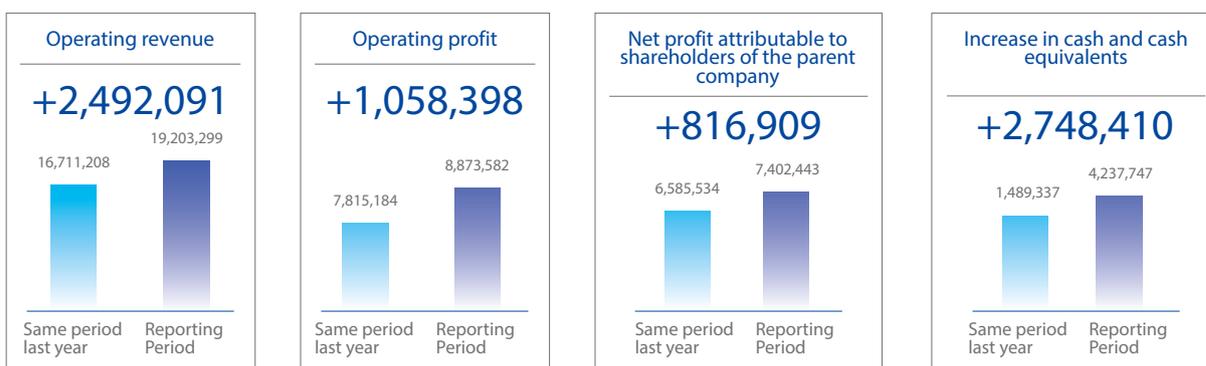
Business Development Plan for the New Year



## 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	833,712,752	802,057,599	31,655,153	812,908,794	776,447,294	36,461,500
Owner's equity attributable to shareholders of the parent company	63,635,638	51,682,125	11,953,513	63,187,601	51,092,333	12,095,268

## II. Company Operations

### (I) Company's Business Scope

The Bank and its subsidiaries (hereinafter referred as "the Group") all belong to the financial sector with the business scope approved by People's Bank of China and the former China Banking Regulatory Commission for commercial banks, which includes: 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 for collections, payments and insurance, providing safety deposit box services, foreign exchange service and other services approved by the former CBRC.

### (II) Company Operations Review

#### 1. Completion Status of Primary Business Indicators

In 2018, facing the external environment of macroeconomic downturn, Sino-US trade frictions, and structural deleveraging etc., the Company has made concerted efforts to forge ahead, actively grasped market opportunities, comprehensively promoted reform and innovation, adhered to business transformation, and strengthened risk management, making positive achievements.

Double-digit profit growth. Net profit reached RMB 7402 million with a year-on-year increase by 12.40%. Net operating income reached RMB 19.203 billion, a year-on-year increase by 14.91%. Fee income reached RMB 3532 million, up by 0.89%. ROA was 0.93%, up by 0.03 percentage point compared with last year end. ROE was 13.55%, down by 0.04 percentage point compared with last year end.

Stable growth of overall performance. The Bank's total asset reached RMB 812.9 billion, up by RMB 36.5 billion than year-beginning

## Major Indicators

 RMB **7.402** bn  
Net Profit

 RMB **19.203** bn  
Net Operating Income

 RMB **3.532** bn  
Fee Income

 RMB **812.9** bn  
Total Asset

 **0.97%**  
NPL%

 **15.75%**  
CAR

## Trade Finance

 RMB **405** mn  
Net Operating Income from Trade Finance

 RMB **289** mn  
Trade Finance Fee Income

(+4.7%). Total deposit balance in RMB and foreign currencies was RMB 621 billion (including principal-guaranteed wealth management fund following CBIRC definition), an increase of RMB 39.7 billion over the beginning of the year, up by 6.8%. RMB personal deposit balance (including principal-guaranteed wealth management fund) was RMB 276.2 billion, an increase of RMB 29.6 billion than year-beginning (+12%). RMB corporate deposit balance (including principal-guaranteed wealth management fund) was RMB 338.9 billion, an increase of RMB 11.1 billion than year-beginning (+3.4%). The year-end deposit deviation was 1.93%. Total loan balance in RMB and foreign currencies was RMB 399.6 billion (CBIRC definition), an increase of RMB 37.6 billion than year-beginning, up by 10.4%, including RMB 341.8 billion of proprietary loan balance which increased by RMB 10.9 billion or 3.3% than year-beginning.

Stable asset quality. The balance of non-performing loans following CBIRC definition was RMB 3870 million, down by RMB 41 million than year beginning. NPL% was 0.97%, with a decrease of 0.11 percentage points than the year beginning. CAR was 15.75%; loan provision coverage rate, 370.84%; provision-to-loan ratio, 3.59%, 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. Comprehensive marketing plan of "one account, one policy" was formulated for key strategic accounts; the first high-end financial forum was held successfully to promote the Company's brand of consulting services; scenario-based marketing were promoted starting from property management fee payment, acquiring at stores, and fund pooling etc. to vigorously develop new clients and solidify the market position; deepened the cooperation between the Bank and government by fully implementing the "government-bank connect" business; strengthened financial products and service innovation by promoting integrated financial services of rental housing business, introducing structural deposits and large corporate certificate of deposit, steadily developing investment banking business, and constantly exploring new business development models; expanded the channels for discount business cooperation, reduced the fund cost of small-amount notes, significantly improved profitability, and served the strategic development of "Yangtze River Delta Integration" with financial support to private enterprises and SMEs in the Yangtze River Delta region.

—In terms of inclusive finance, the Company has adhered to the strategic orientation of "supporting agriculture and SMEs", given full play to the advantages in serving agriculture, SMEs, and scientific and technological industries, as well as honoring the commitment in inclusive finance. As for financial services for agriculture, the Company has actively followed up the development of Shanghai's policy agricultural credit guarantee system, served Shanghai's development of modern agricultural demonstration zones, and promoted strategic cooperation with the Shanghai Agricultural Commission; innovated financial services to benefit agriculture in line with the requirements of building beautiful countryside, and vigorously promoted financial services supporting rural revitalization. As for SME financial services, the Company has met the "second-tier" standard of targeted lowering of required reserve ratio for inclusive finance, and fulfilled CBIRC's regulatory requirements on "two increases and two controls" of SMEs; strengthened cooperation with Shanghai SME Policy Financing Guarantee Fund Management Center, optimized approval process to meet the financial needs of SMEs featuring "small amount, high frequency and urgent need"; vigorously responded to the "bank-tax connect" by introducing the specialized product of "bank-tax loan"; actively promoted corporate settlement cards, introduced separate accounting, united payment and payment-receiving card products, and prepared supply chain business scenarios and system launch. As for scientific and technological financial services, the Company has continued to build a "2 + N"<sup>5</sup> system, becoming the first to establish scientific and technological expert pool, promoting the development of scientific and technological financial products such as scientific and technological loan (Xinyongdai), debt-equity investment, and talent loan etc.

—In terms of trade finance, the Company has been performance-oriented in strengthening customer marketing, deepening agency cooperation, promoting product development and strengthening business management and improving team quality.

<sup>5</sup> Sub-branches centering on Zhangjiang Science and Technology Sub-branch and Yangpu Shuangchuang Sub-Branch, which specialize in providing scientific and technological financial services in Park 22, Zone #1, Zhangjiang.

Within the reporting period, trade finance business EVA in RMB and foreign currencies reached RMB 313 million; net operating income from trade finance business in RMB and foreign currencies reached RMB 405 million, including RMB 115 million of interest income from foreign currency business and trade finance fee income of RMB 289 million (RMB 162 million of fee income and RMB 127 million of exchange gain respectively). Gave full play to the advantages of the first China International Import Expo held in Shanghai, made use of the policy dividends of Shanghai Free Trade Pilot Area, actively developed domestic and foreign exhibitors, and continuously promoted the cross-border settlement and trade financing business of import and export. Meanwhile, comprehensively promoted the works related with "establishing the normal working mechanism of the Yangtze River Delta Rural Finance Symposium, improving the inclusive finance and serving the Rural Revitalization Strategy", promoted inter-bank cooperation and the integrated development of the Yangtze River Delta.

### Retail Banking Business

—In terms of retail banking, the Company has comprehensively deepened the re-transformation of retail business to accelerate the development of retail finance. The asset and liability structure of retail business has continuously improved. As of end of the reporting period, the Bank's personal loan balance was RMB 93.607 billion, up by RMB 7.61 billion than year-beginning, out of which non-housing mortgage loan increased by RMB 3.536 billion than year-beginning; interest income and fee income have increased effectively where fee income reached RMB 1.152 billion, up by 27.99%; quantity and quality of personal customers has increased to 13,355,100, up by 885,800 than year-beginning; newly issued 664,500 Trade Union Member Card, which reached 4,341,100 accumulatively; 452,200 new edition of social security card were issued. The number of bank card transactions and effective users increased rapidly. The total number of online and offline transactions of debit cards reached 85,444,700, up by 91.42% year-on-year, and transaction amount reached RMB 57.243 billion, up by 36.62% year-on-year. Continuously optimized the service process, started the "branch capacity building project", set up professional sales team, strengthened financial managers' skills in account management to enhance customer service experience. Strengthened marketing services starting with specific customer segments such as trade union cards and seniority cards, organized various marketing activities such as cultural and art lecture series for trade union card holders, 31 financial knowledge promotion activities with sponsor title, and 370 newly-built "love & care stations" for sanitation workers.

—In terms of credit card business, within the reporting period, the Company newly issued 64,900 credit cards, and accumulatively 1,074,500 credit cards have been issued; income reached RMB 675 million, a year-on-year increase of 4%; credit card fee income reached RMB 653 million, a year-on-year increase of 5%; annual transaction volume reached RMB 11.1 billion. Improved high-end card series to offer high-end value-added service experience closer to market demand; intensified the innovation of credit card products, by issuing Bestdo co-name credit card theming on "sports and health" as well as co-name credit card with Shanghai Haichang Ocean Park to attract young and parent-child customers; actively promoted the development of scenario-based installment products such as developing a new mode of online license plate installment business, and "automated" trusted education installment payment; cooperated with well-known merchants in the industry to carry out various themes of marketing activities to enhance brand influence; comprehensively promoted MasterCard EMV chip card upgrading project to provide safe and efficient financial services for cardholders.

### Financial Markets Business

—In terms of financial market business, the Company has unwaveringly implemented the new development concept of "light scale, light assets, and light capital", adhered to market-oriented reform, upgraded traditional business and fostered new business simultaneously. During the reporting period, by digging deep into internal and external resources, guiding transaction transformation and promoting business restructuring, the Company has maintained a stable financial market operation scale, with net operating income increased by 17.53% and EVA (Economic Value Added) increased by 21.73% year-on-year, thus realizing the quality upgrading from scale-driven to value-creation. Market orientation has driven traditional business to develop in an all-round way: studied economic and market situation in depth, focused on strategic co-ordination, optimized resource distribution, centralized operating resources to standardized floor business, continuously increased investment in high-quality assets with all businesses ranking at the top of the market. Open innovation drove multi-dimensional breakthroughs in

### Retail Finance



### Financial Markets Business

#### Financial Markets Business



#### Asset Management Business



emerging businesses by constantly enriching new types of investment transactions, continuously expanding innovative business qualifications, breaking stereotype thinking, and further tapping market potential through cross-region, cross-sector, cross-market assets and liabilities with online and offline synergies. Sustainable development deepened transformation and upgrading, activated and optimized assets, transformed from focusing on existing assets to asset flow, improving market influence and room for development steadily; improved the function of "Jicunjin" product, enriched trading channels, and continuously deepened the positioning of "product center" in financial market.

—In terms of asset management, the Company has pushed forward structural optimization and transformation following the requirements of new asset management regulations. As end of the reporting period, the scale of wealth management products reached RMB 109.5 billion, up by RMB 21.1 billion than year-beginning (+24%); customer structure was optimized with the product scale of personal wealth management business hit a record high with an increase of RMB 30.2 billion or 50% compared with year-beginning. Product structure was actively adjusted following regulatory policies. As of end of reporting period, the total scale of net-worth products reached RMB 25 billion, an increase of RMB 18.7 billion (+301%). Meanwhile, the Company has always put risk control first, actively searched for suitable high-quality assets by focusing on standardized assets such as bonds and asset-backed securities etc. as the main investment targets, reducing the scale of outsourced investment so as to build a scientific and rational portfolio of categorized asset allocation, and improve the overall portfolio return under the premise of controllable risk.

#### Channel and Service

—In terms of Internet finance, the Company has promoted business development by fully utilizing the Internet platform 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 9.35%, 15.57%, 12.46%, 24.35%, and 16.42% than last year respectively; actively explored remote banking business and related system development, studied large data and intelligent applications, and promoted Internet financial innovation. The new mobile phone bank has been put into operation smoothly with over 1000 user interfaces optimized, and iterative development under orderly progress; upgraded the cash management of corporate online banking and improved the functions of electronic channels to meet the urgent needs of corporate customers in branches and sub-branches; expanded the Wechat banking services, improved and optimized functions of traditional channels. Meanwhile, continued to strengthen the risk management of Internet finance, improved system construction, and enhanced team capacity.

—In terms of branch network, the Company continued to optimize network deployment and strengthened refined management by evaluating outlets' performance from operating revenue, operating profit, daily average deposit and loan, and number of customers etc. and giving suggestions for adjustment; within the reporting period, 5 outlets were relocated, 8 outlets were removed or consolidated. By the end of the reporting period, the Company had 377 outlets in total, including 370 local outlets, among which, 28 were within the Inner Ring Road, 50 between the Inner Ring Road and the Middle Ring Road, 51 between the Middle Ring Road and the Outer Ring Road, 241 beyond the Outer Ring Road, and 7 non-local outlets.

—In terms of IT support, the Company has strengthened independent controllability to fully support business development and innovation. Completed the new version of mobile phone banking, customer service center remote marketing service platform, customer service quality inspection system, direct connection project with Shanghai Commercial Paper Exchange Corporation, paper and electronic bill transaction integration project, joint loan projects with WeBank and XWBank, gold trading system, and SWIFT system commissioning or upgrading. Further promoted the function of intelligent teller machines, realizing self-service at outlets; launched mobile marketing terminals to meet the business requirements of activation, general contract-signing and social security card application etc.; completed the multi-level account management project to provide customers with more diversified separate accounting services. Completed the launch of integrated biometric authentication platform to support the counter, intelligent teller machine, direct-selling bank and other channels to access facial recognition for authentication; carried out voiceprint authentication technology and artificial intelligence



(AI) platform research, completed the intelligent and multimedia system development at Yangpu Branch for mass entrepreneurship and innovation.

Strengthened the operation and maintenance management of information system to ensure 100% availability rate of core account system during business hours; successfully completed the replacement of core system equipment, which significantly improved the processing capacity of core system; completed the office terminal security management project with various security control measures gradually being promoted and deployed; started the construction of remote data centers, and continuously improved the disaster relief system; improved life cycle management, promoted data center virtualization and resource integration; actively optimized batch processing, improved the execution efficiency of key nodes, completed the upgrading of EOS version of automated operation scheduling system; completed the development and pilot operation of cloud management platform based on virtualized architecture.

—In terms of the protection of financial consumers' rights and interests, the Company has earnestly implemented the requirements on safeguarding the "eight rights of bank customers" issued by the regulatory authorities, formulated the "SRCB Strategy for the Protection of Customers' Rights and Interests (2018-2022)", incorporating the protection of customers' rights and interests into business development strategy and corporate culture; strengthened the system by optimizing the design of indicators, giving full play to the role of evaluation as "the baton", promoting the first inquiry accountability system, optimizing customer complaint handling process and promoting diversified dispute mediation; established audit standards and procedures to gradually match the regulatory requirements of protecting customer rights across the whole process, upgraded the existing complaint system to ensure the application and implementation of industry standards; organized evaluation and awarding to empower people with a sense of honor, promote the atmosphere of protecting customer rights and interests, opened up channels of promotion and education, and created a harmonious financial environment.

#### Risk Management

—In terms of risk management, the Company has carefully studied the external economic and financial environment, improved the risk management system, optimized the risk organization structure, upgraded the risk quantification technology, and comprehensively improved the Bank's comprehensive risk management capability. Strengthened the perspective prediction of risk situation and research on key industries, formulated risk appetite strategies, clarified annual credit direction, increased inclusive financial support, and optimized credit structure to effectively serve the real economy; improved the differentiated authorization and approval mechanism, strengthened the control over the access and credit limits of key industries such as real estate and financial leasing etc., and centralized the credit underwriting and approval of seven urban branches; continuously improved the level of risk measurement and application, deepened the application of risk-weighted assets (RWA) in performance evaluation, optimal allocation of economic capital, and loan pricing etc., gradually improved the internal rating system, further strengthened capital constraints, and improved capital utilization efficiency; improved the level of risk management in financial market businesses, established the Bank's financial instrument valuation management system, strengthened market risk monitoring, and strictly implemented the quota and stop-loss system; improved asset quality by clearing off RMB 102.34 million of off-balance sheet NPL, eliminating the scissors gap, and the Bank's NPL% was controlled within 1% for the first time, and the first batch transfer of written-off loans was completed.

—In terms of internal control and compliance, the Company has improved the framework of compliance and internal control around the work of "Year of Compliance and Internal Control Improvement". The HQ Compliance and Internal Control Department has set up two secondary departments, namely, Legal Affairs Department and Anti-Money Laundering Management Center. The branches and sub-branches have set up additional Compliance and Internal Control Department with professional talents. The Company has attached great importance to fraud prevention work, strengthened staff behavior management, constantly enriched the means of fraud prevention management, promoted "double-base" risk investigation, revised the "Bank-wide Joint Investigation Mechanism of Abnormal Employee Behavior", formulated the "Code of Conduct for Practitioners" and "Employee Family Visit Management Measures", issued "Handbook of Fraud Prevention" and organized staff across the Bank to learn the "Compilation of Shanghai Banking Fraud Prevention Systems" and "Typical Case Series in Ten Years"; promoted the construction of an anti-money laundering management center, centralized



## Yangtze United Financial Leasing Co., Ltd.



RMB 272 mn  
Net Profit



RMB 23.299 bn  
Total Asset



RMB 20.623 bn  
Total Liability



12.15%  
CAR

the anti-money laundering work of several branches, completed the online screening functions of opening account transactions and cross-border payment transactions of RMB within China, and formulated standards for assessing customers' money laundering risk levels and handbooks for customer due diligence in anti-money laundering.

### Group Investment Management

—In terms of rural banks, the 35 rural banks established by the Company have realized relatively fast development with balance of all deposits reached RMB 24.163 billion; loan balance, RMB 12.042 billion. Faced with complex situations, the Bank has followed the guiding philosophy of "sticking to strategy, strengthening management, improving quality and developing steadily" to promote the sound and sustainable development of rural banks; further optimized shareholding management mechanism, strengthened the ability of the HQ's Rural Bank Management Department to coordinate the overall situation and control risks, transformed working mindset, improved service efficiency, increased support and deepened inspection and supervision. Efforts have been made to promote the pair-wise assistance between branches, sub-branches and rural banks in difficulty. The measures have achieved initial results, especially in talent supplement, cultural transmission, comprehensive audit and credit approval of certain rural banks. Efforts have been made to clean up bad loans and gradually improve the quality of credit assets; strengthened audit and accountability, and gave full play to the role of internal audit supervision; strengthened team building and improved the quality of leaders and staff.

—In terms of the Financial Leasing Company, Yangtze United Financial Leasing Co., Ltd. initiated by the Company has realized a net profit of RMB 272 million; total assets reached RMB 23.299 billion; closing balance of leased assets reached RMB 21.452 billion; total liability reached RMB 20.623 billion; capital adequacy ratio was 12.15%. In 2018, faced with the "stably changing" external environment, the Leasing Company adjusted its business strategy and layout appropriately, continued to deepen bank-leasing linkage, paid attention to the risk control of existing and incremental assets, and strived to consolidate the foundation of development, improved the quality of development and maintained stable business performance.

### Party Building and HR Resource

—In terms of party building, the Company Party Committee has further improved the working mechanism of "four accountability synergies", strengthened the political responsibility of the Party Committee, strictly implemented the Party Committee's main responsibilities of "integrating the Party's leadership into corporate governance in an all-round way", "deepening the rectification of banking market disorder", "implementing the three keys and one major decision-making system" and "implementing the eight-point austerity rules of the Central Party Committee". Adhered to the study and implementation of the spirit of the Nineteenth National Congress as the primary political task, strengthened the "four consciousness", and followed closely the spirit of the Nineteenth National Congress to guide direction for the Company to achieve sound development. Focused on the development of grass-root Party organizations, started the election of Party Committee at the head office, completed the election of four grass-root Party committees, carried out the assessment of Party construction work and review of Party organization secretaries at all levels, and gave full play to the role of fortress of Party organizations. Strengthened the education and management of Party members, carried out learning and practice activities such as "implementing the spirit of the Nineteenth National Congress, building a new era of achievements", "making new achievements through reform and realizing good performance with hard work" together with actions as "Party member demonstration post", "Party member responsibility area" and "Party member commitment to fulfill their promises", so as to stimulate the overall vitality of the team.

—In terms of talent team building, the Company has carried out investigation on excellent young leaders reserve to understand the situation of young leaders in an all-round way; guided by "selecting excellent talents and enhancing employer's image", the Company carried out recruitment work at different levels, through multiple channels and with high standards; implemented the "talent-driven" strategy, attached great importance to talent development, strengthened the development of talent team, and constructed competency management system based on professional career paths, improved the talent development system; emphasized the training of leaders and staff, carried out layered and classified training focusing on human resources strategy, focused on leadership improvement training projects for middle-level managers, introduced top-

quality IP courses such as Influencer and Key Dialogue; focused on the key strategies of the Bank, promoted the training for secondary transformation of retail business in outlets, focused on combining training results with actual business, and optimized the implementation of brand projects such as "Intelligence Class", "Xinhua Plan", "Lion King Competition", etc.; strengthened O2O training, launched the new version of Xinpeiban Mobile Learning Platform.

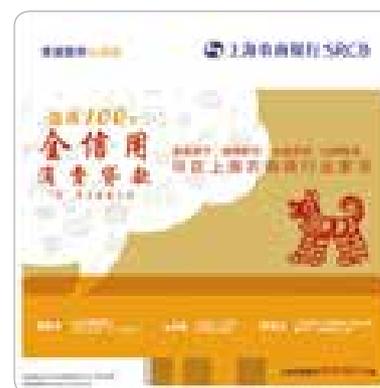
—In terms of corporate culture, the Company has proactively nurtured and practiced the core values of socialism, carried out evaluation and selection of "civilized posts" and "skilled role model", awarded and promoted leading role models, forming a good atmosphere of learning from, advocating and trying to be the advanced. Gave full play to the role of young employees and actively organized public finance and business classes to promote financial knowledge in communities, parks, SMEs and "small financiers"; adhered to people-oriented philosophy in caring for employees' lives, implementing the green passage to help the needy and ill with treatment, and building "Care Station for Moms" and the benchmark "Employee's Home". Started with sports activities and skill competitions, organized the seventh employees' sports meeting, the sixth employees' professional skills competition, the "Old Shanghai New Bund" storytelling sessions, healthy walking, drama appreciation and dance salon, charity sale and other forms of thematic activities to show the spirit of employees and cultivate a good corporate culture.

#### Position in Peers and Awards

According to statistics from "The Banker", a British magazine, SRCB ranked 178th among 1,000 of the largest banks in the world in 2018, 9 ranks higher than 2017, and was listed in the top 200 for five years in a row. It also ranked 25th among Chinese banks enrolled on the list. 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 36th in the "2018 Top 100 Companies in Shanghai" and the 20th among service industry in Shanghai published by Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association and Shanghai Federation of Economic Organizations, two places higher than that in 2017. SRCB ranked 475th in the list of "Top 500 Companies in China" in 2018, 24 places higher than that of 2017. SRCB ranked 25th in the list of "Top 100 in China's Banking Industry 2018" by China Banking Association, and 2nd among urban rural commercial banks in 2018 "GYROSCOPE" rating.

During the reporting period, SRCB was awarded the "Best Rural Commercial Bank" in the sixth comprehensive evaluation of banks sponsored by Sina.com; the "Annual Inclusive Financial Award" in the 2018 TOP Financial List sponsored by The Paper; the "Public Welfare Practice Award" in the 7th China Charity Festival co-sponsored by China News, China.com and huanqiu.com; "Outstanding Contribution Award in Inclusive Financial Services" issued by Shanghai Banking Association; "Best Membership Award", "Best Currency Swap Membership Award", "Best Spot Membership Award", "Best Core Dealer in Interbank Currency Market" and "Excellent Dealer in Interbank Currency Market" etc. awarded by China Foreign Exchange Trading System & National Interbank Funding Center; won two awards of "Excellent Financial Debt Issuer" and "Excellent Self-Operating Organization Award" by China Central Depository & Clearing Co., Ltd. (CCDC); in the 2018 China Wealth Management Summit and the 9th "Golden Wealth Management" Award selection hosted by Shanghai Securities Daily, SRCB won the "Annual Excellent Institutional Wealth Management Product" award; "Intelligent Teller Machine Project" was awarded the "Shanghai Financial Innovation Nomination Award" by Shanghai Finance Office; "Intelligent Network Project" was awarded the "2nd Batch of Enterprise Informatization Demonstration Project" by Shanghai SASAC; "Pioneer Bank in Scientific and Technological Financial Cooperation in Shanghai 2018" issued by Shanghai Science and Technology Commission; the "China Talent Management Model Enterprise Award" in 2018; the "Best Mobile Banking User Experience among Regional Commercial Banks" in the Golden List Award of China E-Bank in 2018 sponsored by China Financial Certification Authority.



### 3. Income from Main Operating Businesses

Unit: RMB 1000 Yuan

Transaction Type	Income	
	The Group	The Bank
Deposit in other banks	434,062	136,542
Deposit in Central Bank	1,318,391	1,277,183
Lending funds and buying back sales from financial assets	2,982,394	2,982,394
Loans and advance	18,105,167	17,292,286
Bond and other investment	7,050,729	7,050,729
<b>Total</b>	<b>29,890,743</b>	<b>28,739,134</b>

### 4. Market Share of Main Products or Services

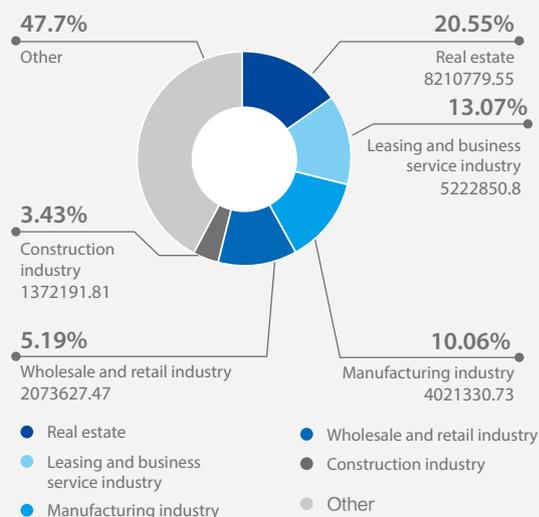
As of the end of the reporting period, in Shanghai region, the market share of SRCB's RMB deposit was 7.85%, 0.23 percentage points higher than end of last year, ranking 5<sup>th</sup>, and the share of incremental was 13.53%, ranking 3<sup>rd</sup>, the market share of SRCB's RMB loan in Shanghai was 6.96%, ranking 5<sup>th</sup>, and the share of incremental was 7.12%, ranking 5<sup>th</sup>.

### 5. Top Five Industries Granted with Most Loans in RMB (Balance and Proportion)

Unit: RMB 10,000 Yuan

No.	Sectors	Ending Balance	Proportion (%)
1	Real estate	8210779.55	20.55%
2	Leasing and business service industry	5222850.8	13.07%
3	Manufacturing industry	4021330.73	10.06%
4	Wholesale and retail industry	2073627.47	5.19%
5	Construction industry	1372191.81	3.43%

Top Five Industries Granted with Most Loans in RMB (Balance and Proportion)



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

Unit: RMB 1000 Yuan

Items	2018	2017	2016
<b>The Group</b>			
Letters of credit issued	1,980,154	1,585,448	1,263,950
Letters of guarantee issued	3,594,610	5,021,503	4,786,432
Bank acceptance bills issued	7,833,607	6,718,758	9,200,709
Credit undertakings	19,933,146	23,108,820	19,242,491
<b>The Bank</b>			
Letters of credit issued	1,980,154	1,585,448	1,263,950
Letters of guarantee issued	3,594,610	5,021,503	4,786,432
Bank acceptance bills issued	7,833,607	6,718,758	9,200,709
Credit undertakings	19,933,146	23,108,820	19,242,491

### (III) Challenges in Business Operation and Solutions

During the reporting period, China's economy remained basically within a reasonable range with the continuous optimization of economic structure, improved new growth momentum, economic efficiency and quality. While developing steadily, various problems are gradually emerging. The uncertainties of Sino-US trade frictions are rising, the growth rate of exports is declining, the difficulties of private enterprises are increasing, and the investment in infrastructure has fallen fast. The overall economic downturn has led banks to face complex operating environment and more operational challenges. In this regard, the Company has taken refined management, specialized management and differentiation as focus, centered on customers in promoting business transformation in depth, developing customers by comprehensive means of marketing, promoting customer transformation by innovative financial products and services, improving customer experience by efficient process management, continuously optimizing management mode, transforming work style, and continuously adjusting business structure to promote innovative transformation, improving the quality and efficiency of serving the private economy, deepening the second transformation of retail businesses, creating a new model of inclusive finance, focusing on improving the level of scientific and technological financial sciences, and focusing on building a "trading bank, investment bank and inclusive bank" to achieve high-quality sustainable development.

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

The Company adhered to profit orientation, strengthened awareness of capital constraint, improved capital allocation, management, and 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, the Company improved the Bank-wide capital management framework, fully revised and implemented SRCB Capital Management Measures; 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 guide the Bank

in building capital constraint awareness; carried out internal CAR assessment to understand the capital situation of the Company from corporate governance, risk assessment and capital assessment etc.; established diversified capital supplement mechanism which mainly relies on internal retained profit; issued RMB 680 million common shares under non-disclosure agreement to raise RMB 4739.6 million to supplement core tier-I 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	Pudong Branch	No. 1500, Century Avenue, Pudong New District, Shanghai	45
3	Shanghai Pilot Free Trade Zone Branch	No. 6, Jilong Road, Pudong New District, Shanghai	1
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	29
7	Songjiang Branch	No. 405, North Renmin Road, Songjiang District, Shanghai	26
8	Jinshan Branch	No. 505, West Weiqing Road, Jinshan District, Shanghai	20
9	Qingpu Branch	No. 399, Gongyuan Road, Qingpu District, Shanghai	23
10	Fengxian Branch	No. 9780, Nanfeng Road, Fengxian District, Shanghai	26
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	17
16	Hongkou Branch	No. 2721, Songhuajiang Road, Hongkou District, Shanghai	10
17	Yangpu Branch	No. 1599, Huangxing Road, Yangpu District, Shanghai	10
18	Huangpu Branch	Floor1, No. 500, Guangdong Road, Huangpu District, Shanghai	6
19	Jing'an Branch	No. 770, West Beijing Road, Jing'an District, Shanghai	11
20	Zhangjiang Science and Technology Branch	Room 103-108, No. 8, Zone B, Lane 500, Zhangheng Road, Pudong District, Shanghai	1
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	3
23	Kunshan Branch	F1-3, No. 183, Middle Qianjin Road, Kunshan City, Jiangsu Province	2
<b>Total</b>			<b>377</b>

## (II) 5-category Classification of Credit Assets

Unit: RMB 100 million

	Pass		Special mention		Substandard		Doubtful		Loss	
	Balance	Percentage	Balance	Percentage	Balance	Percentage	Balance	Percentage	Balance	Percentage
2017-end	3548.28	98.01%	32.46	0.90%	29.52	0.82%	4.55	0.13%	5.04	0.14%
2018-end	3930.91	98.38%	26.52	0.66%	26.16	0.65%	7.35	0.18%	5.19	0.13%

## (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 15.831 billion at the end of 2018.

## (IV) Loan Ratio of Top Ten Customers

Customer name	Loan balance (RMB 10,000 Yuan)	Ratio of total loans (%)
Shanghai Expo Land Co., Ltd.	346000.00	0.87%
Shanghai Lingang Economic Development Co., Ltd.	320250.00	0.80%
Shanghai Hecheng International Travel Agency Co., Ltd.	220000.00	0.55%
Shanghai Pudong Development (Group) Co., Ltd.	150000.00	0.38%
Shanghai Industrial Development Shareholding Co. Ltd.	150000.00	0.38%
Shanghai Xianda Property Development Co., Ltd.	148875.00	0.37%
Shanghai Changtai Commercial Operation and Management Co., Ltd.	146250.00	0.37%
Shanghai Property (Group) Co., Ltd.	143950.00	0.36%
Kunshan Rongxinkaiting Property Development Co., Ltd.	123486.00	0.31%
Shanghai Chongyu Property Development Co., Ltd.	122600.00	0.31%

## (V) Credit Approved to Group Customers and Risk Management

The Company centralized credit approval of group customers. First, the 2018 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 Year End

Non.

## (VII) Closing Balance of Restructured Loans and Overdue Loans

At the end of the reporting period, restructured loans was RMB 48.8918 million, of which DPD 90+ loan was RMB 45.8918 million. All the above-mentioned loans are substandard.

## (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	330,259,601	4.53%
-Corporate loans	222,850,007	4.70%
-Personal loans	94,753,317	4.14%
-Direct discount	12,656,277	4.44%
Deposits	564,601,748	1.78%
-Current deposits	262,688,305	0.61%
-Term deposits	301,913,443	2.80%

## (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	15000.00	2021.10	3.85
2008 Book-entry treasury bonds	14000.00	2023.2-2038.5	4.16-4.5
2009 Book-entry treasury bonds	42000.00	2019.6 -2019.11	3.09-3.68
2010 Book-entry treasury bonds	318000.00	2020.2-2040.12	3.28-4.23
2011 Book-entry treasury bonds	100000.00	2021.1-2021.11	3.57-3.99
2012 Book-entry treasury bonds	273000.00	2019.3-2022.12	3.14-3.55
2013 Book-entry treasury bonds	556000.00	2020.1-2033.8	3.29-4.32
2014 Book-entry treasury bonds	52000.00	2024.12	3.77
2015 Book-entry treasury bonds	1031000.00	2020.2-2025.10	2.99-3.64
2016 Book-entry treasury bonds	771000.00	2019.4-2026.11	2.29-2.95
2017 Book-entry treasury bonds	621000.00	2019.9-2027.10	2.77-3.9
2018 Book-entry treasury bonds	567000.00	2019.1-2048.7	1.93-3.97
2014 Certificate treasury bonds	2373.18	2019.3-2019.11	5.41
2015 Certificate treasury bonds	1462.84	2020.3-2020.10	4.67-5.32
2016 Certificate treasury bonds	2832.44	2019.3-2021.11	3.8-4.42
2017 Certificate treasury bonds	2020.50	2020.3-2022.11	3.8-4.22
2018 Certificate treasury bonds	998.07	2021.3-2023.11	4-4.27
<b>Total</b>	<b>4369687.03</b>	<b>2019.1-2048.7</b>	<b>1.93-5.41</b>

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

At the end of the reporting period, total loans of the Bank reached RMB 399.613 billion (CBIRC definition). Given the five-category classification, there was RMB 393.091 billion in pass loans, accounting for 98.38%, and RMB 2.652 billion of special mention loans, accounting for 0.66%. The last three categories of loans totaled RMB 3.87 billion, accounting for 0.97%, down by RMB 41 million or 0.11 percentage point than last year-end. Absolute amount of NPL and NPL% both decreased. Substandard loans decreased by RMB 336 million; doubtful loans declined by RMB 280 million; loss loans decreased by RMB 15 million.

At the end of the reporting period, RMB 628 million of non-performing loans were written off.

In terms of solving and cutting down non-performing loans, first, the Company has taken these main measures: first, organized special check on commercial financial leasing, loans to engineering projects under construction and private property development, and bill business to screen potential risks; second, screened high-risk loans, developed exit plans by stages and risk mitigation measures while supervised the exit progress; third, focused on making breakthroughs, played the leading role of HQ in 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 0.

## (XII) Overdue Outstanding Debt

None.

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

During the reporting period, macroeconomic growth slowed down steadily, Sino-US trade frictions led to export slump, non-standard financing narrowed sharply after the new asset management regulations, high leverage of the residential sector constrained domestic demand, growth of social financing continued to decline, financing difficulties of private enterprises, debt default, pledge liquidation incidents occurred from time to time, and commercial banks accumulated operational risks. In addition, the regulatory authorities continued to deepen liquidity risk management, paid attention to large-scale risk exposure and centralized credit risk, and intensively promulgated relevant regulatory policies, which put forward higher requirements for the Bank's business direction and risk management level.

**Countermeasures of credit risks:** first, strengthened study of key industries, macro-economic and financial environment to improve the foresight of risk management; issued and implemented SRCB 2018 Credit Direction Policies; second, further optimized approval authority system by centralizing the credit approval for 7 urban sub-branches; 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; fourth, continuously built credit business teams by organizing qualification exams for credit practitioners to further improve their comprehensive quality and knowledge; fifth, continued to pay attention to the fluctuation of the real estate market, regularly carried out stress tests, continuously improved the risk early warning mechanism, and strengthened the cross-warning management of credit business; sixth, strengthened the access of borrowers and credit management to ensure the authenticity, stability and adequacy of the first source of repayment; seventh, actively carried out cooperative loans with other banking institutions, and increased investment in science and technology and staffing, optimized anti-fraud, anti-money laundering and other early warning functions, and gradually built the in-house data application system to achieve digitization, automation and intelligentization of customer mining, and risk control etc.

**Countermeasures for market risks:** first, set 2018 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 Financial Instrument Valuation Management Measures, SRCB Market Risk Valuation Management and Operation Procedures, SRCB Market Risk Management Policies etc.; third, continuously deepened market risk management IT system, completed the initial acceptance of market risk management information system; fourth, actively supported the development of new products and businesses including structural deposit business, and direct connect with Shanghai Commercial Paper Exchange Corporation etc..

**Countermeasures for operation risks:** first, strengthened the daily maintenance of machines and equipment, strictly controlled the business errors of counter staff, increased penalties, education and score deduction for violations of rules and regulations to reduce payment and settlement errors; second, strengthened the cultivation of customers' security awareness when using cards, gradually replaced existing magnetic stripe cards with chip cards, studied and improved credit card application, approval, and issuance process, and strictly guarded against unauthorized card use and abusing of customer information; third, strengthened internal management and strictly implemented the "three checks" system of loans to ensure compliant usage of loans and cash installment; fourth, strict risk and compliance checks of FI investment to actively rectify violations; fifth, followed the principles of prudent operation, improved regulations and rules to enhance business processes and employees' compliance awareness.

**Countermeasures for liquidity risks:** in 2018, the Group's liquidity coverage ratio was 241.76%, including RMB 109.526 billion of qualified and high-quality liquid assets, net cash outflow was RMB 45.303 billion; corporate liquidity coverage ratio was 209.86%, including RMB 107.771 billion of qualified and high-quality liquid assets, net cash outflow was RMB 51.355 billion. First, continuously improved and amended liquidity management rules and regulations, thoroughly studied the latest regulatory policies, and amended the "SRCB Measures for Liquidity Risk Management" and "SRCB Emergency Plan for Liquidity Risk"; second, improved the liquidity risk quota management system according to the external situation and business development requirements; third, liquidity risk stress test and liquidity risk audit were 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, launched the new generation of asset-liability management system to provide system support for the refined measurement of liquidity risk.

**Countermeasures for legal risks:** first, optimized the Company's structure and system, improved the general legal counsel system, set up the Legal Affairs Department, enriched legal professionals and promoted legal counsel services for IPO; second, further enhanced the comprehensive quality and knowledge level of practitioners, formulated the "Compliance and Internal Control Managers Assessment Management Measures" to further standardize the access to professional posts; third, strengthened compliance education and revised Compliance Code of Practice, organized legal professional training and law popularization education, sent knowledge bulletin of compliance daily, and compiled "Compliance Briefing".

**Countermeasures for reputation risk:** first, improved the reputation risk management system and issued the Notice on Strengthening the Advertising Publication Management in Branches; secondly, focused on early intervention and guidance for complex complaints in reputation risk management to control complaints in the early stage; thirdly, actively carried out various training, including theme trainings such as Consumer Rights and Interests, Crisis Avoidance, and Public Opinion Orientation and New Moves of Government in the Mobile Internet Era etc.; fourth, organized emergency drills on reputation risk to enhance the ability to respond to major emergencies; fifth, continued with daily public opinion monitoring; sixth, strengthened the initiative by planning and carrying out various thematic publicity.

## IV. Analysis of Financial Status and Operating Results

Unit: RMB 1000 Yuan

Items	The Bank			Primary reason
	2018/12/31	2017/12/31	Increase/ decrease	
Total assets	812,908,794	776,447,294	36,461,500	Expansion of operating scale
Long-term investment on equity	1,753,240	1,698,917	54,323	Capital injection to subsidiaries
Fixed assets	5,640,244	4,499,713	1,140,531	Increase in fixed asset
Total liabilities	749,721,193	725,354,961	24,366,232	Increase in deposits and active liabilities
Owner's equity	63,187,601	51,092,333	12,095,268	Increase in undistributed profits, and private placement
Operating profit	8,873,582	7,815,184	1,058,398	Expansion of business scale, and stable increase of net interest margin
Investment income	1,561,512	2,135,842	-574,330	Fluctuation of market interest rate and exchange rate
Net profit attributable to shareholders of the parent company	7,402,443	6,585,534	816,909	Expansion of business scale, and stable increase of 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 2018, China's macro economy remained within a reasonable range, achieving overall stability and steady progress. The annual gross domestic product (GDP) exceeded RMB 90 trillion, an increase of 6.6% over the previous year. Meanwhile, the economy was stable with concerning changes. The external environment was complex and severe, and the economy was faced with downward pressure. China's development is still in and will remain in an important period of strategic opportunities for a long time.

Changes and impacts of macro policies and regulations include:

First, the Central Bank gave full play to the role of counter-cyclical adjustment of monetary policy, carried out four targeted cuts of required reserve ratios, increased liquidity supply in the medium and long term, maintained reasonably sufficient liquidity, promoted the rational growth of monetary credit and social financing scale, maintained stable macro-leverage ratio and support for the real economy.

Second, the Central Bank continued to deepen the market-oriented reform of interest rate, steadily promoted the "unification of deposit and loan benchmark rate with money market rate", improved the formation, regulation and transmission mechanisms of market-oriented interest rate, further smoothed the transmission of Central Bank policy interest rate to market interest rate and credit interest rate, and guided financial institutions to reduce the financing cost of private enterprises and SMEs.

Third, in accordance with the principle of market-orientation and rule of law, the Central Bank has taken various measures to smoothen the transmission mechanism of monetary policy, used and innovated structural monetary policy instruments to guide financial institutions to increase the support for SMEs and private enterprises from credit, bonds, equity and other aspects.

## VIII. Business Development Plan for the New Year

### (I) Guidelines for Business Development for the New Year

In 2019, the Company will carry out the spirit of the 2nd and 3rd Plenary Sessions of the 19th CPC Central Committee, the Central Economic Work Conference, the Central Rural Work Conference and the 6th Plenary Session of the 11th Shanghai Municipal Committee, put customers at the center, promote business transformation in depth, and developing customers by comprehensive means of marketing, transform customers with innovative financial products and services, improve customer experience by efficient process management, further optimize management mode, change work style, accelerate structural adjustment, promote innovation and transformation, consolidate risk management, and truly achieve high-quality sustainable development.

### (II) Main Business Targets for the New Year

In 2019, the Company's main operating targets are: net profit of RMB 7.78 billion, an increase of 5.1%; ROA, 0.92%; ROE, 11.72%; earnings per share, RMB 0.89; fee income, RMB 3.54 billion, an increase of 0.2%; operating expense controlled within RMB 6.1 billion; the cost-to-income ratio controlled within 32%; balance of deposits at certain point, RMB 651 billion, an increase of RMB 30 billion, or 4.8%, over the previous year.

In 2019, the Company's main internal control goals are: capital adequacy ratio $\geq$ 13%; NPL% controlled within 1.0%; provision-to-loan ratio $\geq$ 2.7%; provision coverage $\geq$ 200%; no category I or II cases, and strictly prevent category III cases with over RMB 1 million (including).

### (III) Main Development Measures in the New Year

#### 1. Corporate Banking

—In terms of corporate banking, strengthen customer development and enhance the rate of return and stickiness of strategic customers. Continue to promote inclusive finance, increase support to private enterprises and ensure the completion of annual regulatory targets. Adhere to the characteristics of "agricultural" service, and continue to serve the rural revitalization strategy through innovation and optimization of products, mechanisms and businesses. Vigorously promote scientific and technological financial services, actively participate in the pilot loan project of serving high-tech enterprises in Shanghai, continuously optimize the development of special scientific and technological financial products, and follow up the relevant policies of scientific and technological innovation board. Deepen scenario-based marketing for liability business. Explore new types of investment business, strengthen professional service support, and promote the development of bond underwriting, non-standard investment and equity fund business in an orderly manner. Sort through corporate banking product line and increase product innovation. Give full play to the advantages of discount business in supporting SMEs and private financing, and deepen services through automatic discount of banknotes and discount of supply chain commercial notes etc..

—In terms of trade finance, strengthen cooperation with agent banks, product and service system development, effectively expand the scale of trade finance business, consolidate and optimize the corporate customer base, and steadily improve the profit contribution from trade finance business. Based on the characteristics of trade finance business, with the opportunity of financial services for China International Import Expo, led by serving importers and upstream and downstream enterprises of the trade supply chains, focus on cross-border settlement, and trade financing etc., improve product marketing mix and provide financial services throughout the value chain. Promote business innovation, optimize business processes, and promote product system development. During the market window period, plan and prepare to promote cross-border loans, overseas direct loans, foreign exchange derivatives and other products. Focus on the "Belt and Road" initiative and the progress and cooperation of trade financing businesses in rural financial institutions in the Yangtze River Delta. Take cross-border M&A of Chinese companies "going abroad" and overseas project contracting as the breakthrough points to promote cross-border guarantee business in a targeted manner. Follow "three requirements" on business development to strengthen the authenticity review of trade, standardize risk management of trade finance business, and promote the compliant and orderly development of the Bank's cross-border business.

#### Main Business Targets for the New Year

 RMB **7.78** bn  
Net Profit

 RMB **3.54** bn  
Fee Income

 **0.92%**  
ROA

 **11.72%**  
ROE

 RMB **0.89**  
Earnings per Share

## 2. Retail banking

—In terms of retail banking, speed up the pace of wealth business, improve customer segmentation, carry out precise marketing, promote the development of intelligent robo-advisor, optimize the function of wealth sector in mobile banking, increase the allocation of wealth management managers in outlets, and accelerate the development of private banking business. Promote the steady rise of retail loans, vigorously promote various types of retail loans, such as personal operating loans, consumer loans and mortgage loans, optimize business process, improve online application channels, form a multi-dimensional online loan customer acquisition system, and constantly enhance customer experience. Increase the usage rate and capacity of bank cards, expand the number of customers and transaction volume of fast payment, increase fee income, promote the new version of social security card business, enhance customer card application experience, use third-party resources to enrich marketing activities, improve brand influence and market visibility.

—In terms of credit card business, center on market and customers, deeply cultivate existing customers, collaborate between public and private lines, promote credit card marketing, and consolidate business foundation. Set up consumption scenarios through multiple channels, actively participate in inclusive financial projects, develop various forms of marketing activities, and create an atmosphere for customers to use cards. Speed up product development, strengthen installment business, and proactively support high-quality customers with corresponding products to meet the needs of personalized financial services. Take Fintech as a breakthrough point, build an online marketing platform for credit cards, and promote the development of credit card teams in branches and sub-branches by cultivating more talents. Integrate resources, highlight key points, and strive to enhance the market influence of high-end card and featured card products. Strengthen risk management to ensure sound and rapid business development.



## 3. Trade financing

—In terms of trade finance, focus on the core strategy of the Bank, continue to implement the development philosophy of "light scale, light assets and light capital"; base on the two major functional positioning of "trading center" and "product service center", and steadily accumulate internal strength to promote the transformation of financial market business in drive, quality and efficiency by upgrading efficiency of traditional business, innovative trading breakthroughs, co-marketing of products and services, and scientific and technological support. Enhance the ability to generate profits through transactions, adhere to market orientation, seize development opportunities, give full play to the location advantages of Shanghai as financial center and innovative highland, enrich trading varieties and trading objects by integrating and distributing internal resources, strengthen cross-market linkage and research of trading strategies, improve endogenous trading profitability, and promote the transformation of financial market business from holding type to trading type. Improve customer service capabilities, adhere to the goal of serving fundamental customers, enhance customers' sense of gain and loyalty, and deepen key products by "integrated" services. Optimize customers' comprehensive financial service experience by intensifying the research and development of new products, strengthening cross-linkages among multiple products, establishing professional service teams, and transforming and upgrading the financial market business "from transactions to products and then services". Enhance the scientific and technological support, combine financial market business and science and technology, actively explore the effective integration of transactions, products and science and technology, focus on the construction and upgrading of the system platform, strengthen data mining, deepen data analysis, optimize data utilization, and increase the support and leading role of digital finance and science and technology platform to enhance the ability of transaction and service.



—In terms of asset management business, under the double tests of market and supervision, accurately grasp the market development direction of "returning to the origin, transforming and developing". Focusing on "customer demand", and on the premise of consolidating business scale and optimizing product structure, focus on promoting net worth of products and diversified cross-bank investment strategy, implementing the concept of "survival of the fittest" in outsourced investment, improving the refined risk management and gradually exploring the building of investment research team and large category of asset portfolios, promote the Bank's asset management business to a new level.

#### 4.Channel and Service

—In terms of Internet finance, clarify positioning and objectives, speed up the transformation of Internet financial business, strengthen the support of e-channels, and promote the development of great corporate finance and retail business. Focus on "finance + life", create scenario-based finance, take direct banking as the carrier, embed traffic platforms, expand the scale of online customers, and constantly strengthen online financial services. Improve the construction of remote banking, normalize external telephone marketing, stabilize the level of customer service, and enhance value contribution and service capability. Promote the application of innovative Fintech, actively use all kinds of innovative technologies to provide basic functional support for direct bank, mobile banking, Wechat banking and other applications so as to enhance customer experience.

—In terms of branch network, strengthen the network layout adjustment and planning management, scientifically evaluate the efficiency of outlets, promote the upgrading and transformation of outlets, the intelligent and lightweight development of outlets, comprehensively enhance brand image and serve business development.

—In terms of scientific and technological support, build a scientific and technological management platform, improve the level of scientific and technological management, strengthen information security management, and improve information security management and control. Improve the mechanism of scientific and technological innovation, supported by artificial intelligence, big data analysis and other technologies as support, enable and promote business innovation. Continue to promote the transformation and optimization of application architecture, carry out cluster transformation of core accounting system, optimize the technical framework of Internet financial platform, build a distributed configuration center, and enhance the scientific and technological support capacity. Strengthen production operation and maintenance, promote the construction of disaster relief centers in different places to ensure the safe and stable operation of production system, and enhance the level of automation as well as intelligent operation and maintenance.

—In terms of protecting consumer rights and interests, according to regulatory requirements, the Department of Consumer Rights Protection is adjusted to level-I department of the head office to enhance the strategic position of consumer rights protection. Clarify the positioning of the department, improve the standard and deepen the functions of consumer rights protection work in order to meet the regulatory requirements and match the future development of the Bank. Improve pre-audit of products and services to ensure that our products and services are fully and reasonably informed and disclosed, so as to truly protect the legitimate rights and interests of consumers. Strengthen centralized management, the basic work of complaint management, use customer complaints as a feedback to improve business, and promote the protection of personal customer information.

#### 5.Risk Management

—In terms of risk management, continue to develop a comprehensive risk management system, improve various policies and systems, and comprehensively enhance the Company's risk management capabilities. Actively formulate relevant risk control strategies following market environment and regulatory requirements, differentiate credit approval policies, further improve the credit business system for corporate credit approval, and strengthen credit risk management and risk monitoring of personal loans. Strengthen financial market business analysis, enhance market risk measurement capabilities, implement regulatory requirements on counterparty credit risk capital measurement, and formulate and improve financial market business risk management system with the development of new business and products. Further standardize the daily management of operation risk, intensify the management and assessment of operation risk, and deepen the use of the three major tools to enhance the fitness of operation risk management and business. Improve risk management technology, optimize system, and rely on IT technology to achieve more professional and systematic risk management.

—In terms of internal control and compliance, improve the internal control system, strengthen the internal control evaluation work, build an internal control evaluation system that promote reform, and link the evaluation results with the performance evaluation of branches and sub-branches. Improve system management, carry out special evaluation of rules and regulations, strengthen the level, effectiveness and operability



of the system process, launch CIS system (point management system for compliance, internal control and violation), covering system management, law submission, internal and external inspection and rectification, and internal control fraud prevention accountability letter and other functions, to further enhance the level of compliance and internal control management. Improve the internal risk identification mechanism, promote centralized anti-money laundering and full process monitoring, deepen the awareness of compliance and fraud prevention, improve the efficiency of identifying and handling risk event, and optimize the staff behavior management mechanism. Insist on Risk-orientation and value-orientation, innovate digital audit means effectively, improve internal audit mechanism, strengthen risk audit supervision, deepen the rectification of audit problems, and further improve the quality and value of internal audit work.

## 6. Group Investment Management

—**In terms of rural bank**, strengthen differentiated management, implement "one bank, one policy" management based on different characteristics of each rural bank, and gradually improve the level of internal governance. Intensify the adjustment of business structure featuring "SMEs and agriculture", promote product innovation and business structure adjustment to steadily achieve business progress. Continue to promote the recovery of NPL and high-risk loans, strengthen credit risk control, improve the quality of credit approval, adhere to the development of compliance and internal control mechanism, and strengthen internal audit supervision and accountability. Adhere to team building, promote the culture of the initiating bank, and realize diversified personnel training.

—**In terms of the Financial Leasing Company**, strengthen the bank-leasing linkage, create professional advantage in serving SMEs, rely on the industry to deploy "five major and one new" industrial leasing sectors including people's livelihood, great cultural tourism, great health, great transportation, great environmental protection and new science and technology, promote structural adjustment and increase the proportion of financial markets and small and medium-sized leasing businesses. Strictly adhere to the bottom line of risk, clarify differentiated risk management ideas, strengthen screening and early warning of existing assets, and effectively control the quality of assets. Improve service system, steadily improve the ability of refined management, consolidate organizational structure, and build an excellent and stable talent team.

Meanwhile, pay close attention to relevant policies of wealth management subsidiaries and consumer finance companies, strengthen communication with supervisors and regulators, explore the integrated operation of the Group to achieve synergy, and enhance the comprehensive customer service capability.

## 7. Party Building and Talent Team

—**In terms of Party building**, further study and implement the spirit of the 19th National Congress of the CPC and Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, establish "Four Awareness", adhere to the "Four Self-Confidence", resolutely implement the "Two Maintenance", carry out the theme education of "remaining true to the original purpose and mission", and strengthen the ideals and beliefs of Party members, strengthen the management of grass-root Party organizations, strictly implement Party education activities such as "three sessions and one class", promote the institutionalization and normalization of the work of Party organizations at all levels, and enhance organizational capacity. Improve the assessment system for Party building at the grass-roots level, and strictly promote clean and honest Party conduct and ideology. Strengthen corporate culture and promote the coordinated development of public work. Improve public welfare and poverty alleviation work, and fulfill corporate social responsibility.

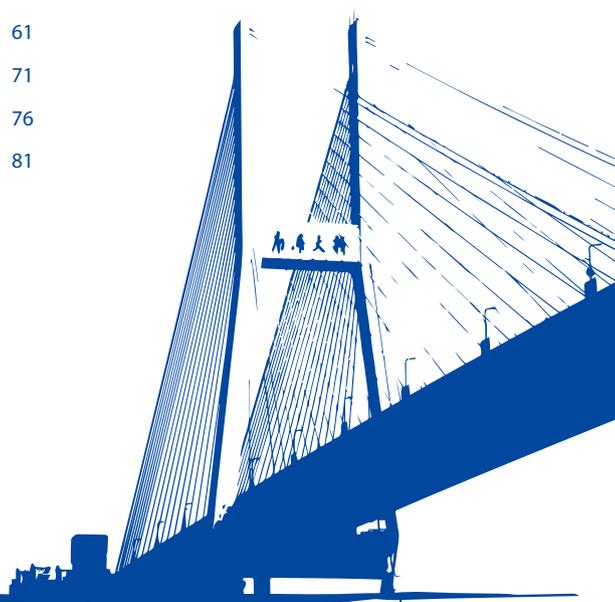
—**In terms of talent team building**, focus on the Company's strategic objectives and combine with the research results of outstanding young talents, identify, select and use a batch of outstanding young leaders, cultivate and store a batch of outstanding young talents who "know business and work in the business", and give full play to the role of leaders of all ages. Strengthen the development of talent team in financial market, asset management, investment banking, cross-border finance and other emerging businesses, enrich the professional talent team of information technology, further improve manpower through optimizing personnel structure, process modification, network integration and other means, and enrich the marketing team. Committed to the strategic focus of the Bank, enhance the effectiveness of training, expand resource channels, deepen the construction of professional post training system, design training models that meet the requirements of talent growth, and continue to carry out online learning.



# New Pattern

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## Changes in Share Capital and Shareholders

Changes in Share Capital

Shareholders

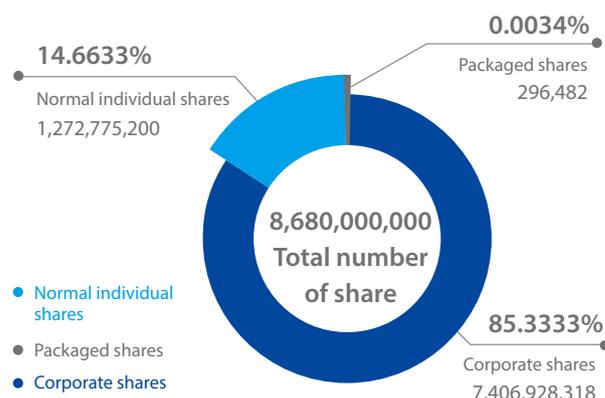


## I. Changes in Share Capital

### (I) Capital Structure Table

Unit: Share(s)

Type of shareholder	Number of shares	Percentage to total capital
Corporate shares	7,406,928,318	85.3333%
Normal individual shares	1,272,775,200	14.6633%
Packaged shares*	296,482	0.0034%
Total shares	8,680,000,000	100.0000%



\*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

During the reporting period, according to Shanghai SASAC's Approval for the SRCB's Capital Increase by Private Agreement (Shanghai SASAC Property Rights [ 2018 ] 341), Shanghai Banking and Insurance Regulatory Commission's Approval for SRCB's Private Placement Scheme and the Approval of Relevant Shareholder Qualification (Shanghai CBIRC [ 2018 ] 52) and CSRC's Approval of SRCB's Private Placement " (CSRC Permit No. [ 2018 ] 2014). The Company issued 680,000,000 new common shares. On December 27, 2018, all the raised funds were in place.<sup>6</sup>

## II. Shareholders

### (I) Number of Shareholders and Their Shares

At the end of the reporting period, the Company had a total of 24,600 shareholders, of which 217 were corporate shareholders, 24,382 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: shares

No.	Shareholder's name	Nature of shareholder	Shareholding ratio	Total number of shares	Increase/decrease during the reporting period
1	Shanghai State-owned Assets Operation Co., Ltd.	State-owned Corporate Shares	9.22%	800,000,000	-
2	China Cosco Shipping Corporation Ltd.	State-owned Corporate Shares	9.22%	800,000,000	-
3	BaoSteel Corporation Ltd.	State-owned Corporate Shares	9.22%	800,000,000	-
4	China Pacific Life Insurance Co., Ltd.	State-owned Corporate Shares	6.45%	560,000,000	-
5	Shanghai International Group Co., Ltd.	State-owned Corporate Shares	5.55%	481,474,285	-
6	Shanghai Guosheng Assets Co., Ltd.	State-owned Corporate Shares	5.46%	474,047,514	+116,370,000 <sup>7</sup>
7	Zhejiang Expressway Co., Ltd.	State-owned Corporate Shares	5.36%	465,500,000	+465,500,000 <sup>8</sup>
8	Shenzhen Lenovo Service and Technology Park Co., Ltd.	General Corporate Shares	5.28%	458,486,254	-
9	Shanghai Shendi (Group) Co., Ltd.	State-owned Corporate Shares	4.12%	357,700,000	+357,700,000 <sup>9</sup>
10	Lanhai Holding Group Co., Ltd.	General Corporate Shares	3.87%	336,000,000	-
<b>Total</b>			<b>63.75%</b>	<b>5,533,208,053</b>	

#### 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.

<sup>6</sup> The Company submitted the SRCB Application of Increasing Registered Capital to Shanghai CBIRC, and received the Shanghai CBIRC's Approval of SRCB's Change of Registered Capital on 25 Feb, 2019. The industrial and commercial registration change was completed on 20 March, 2019.

<sup>7</sup> Subscribed 116,370,000 shares via private offering in 2018.

<sup>8</sup> On 31 May, 2018, Rizhao Steel Holding Co., Ltd., SRCB's former shareholder, transferred its holding of 392,000,000 shares to Zhejiang Expressway (Group) Co., Ltd.; in 2018, Zhejiang Expressway (Group) Co., Ltd. subscribed 73,500,000 shares via private offering.

<sup>9</sup> Subscribed 357,700,000 shares via private offering in 2018.

## (II) Summary of Shareholders with More than 5% Shares<sup>10</sup>

**1. Shanghai State-owned Asset Operation Co., Ltd.** holds 9.22% 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 consolidated assets totaling over RMB 90 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 9.22% 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 9.22% shares of the Company. Established in February 2000, it is a listed company held by China Baowu Group with a registered capital of RMB 22,276,134,075. 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 6.45% 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 former China Insurance Regulatory Commission (CIRC).

**5. Shanghai International Group Co., Ltd.** (SIG) holds nearly 5.55% shares of the Company. It is a solely state-owned company established in April 2000, with a registered capital of RMB 10,558,840,000. 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. Shanghai Guosheng Assets Co., Ltd.** holds 5.46% shares of the Company. It was established in January 2010 with registered capital of RMB 7 billion. Its business scope mainly includes industrial investment, investment in real estate and related industries, investment in urban infrastructure, capital operation, asset acquisition, packaging and transfer, entrusted management of company and asset, debt restructuring, entrusted investment, investment consultancy, financial consultant, consultant and agency for M&A and business restructuring, corporate wealth management consultancy, and consulting services related to business scope.

**7. Zhejiang Expressway Co., Ltd.** holds 5.36% shares of the Company. It was established in March 1997 with registered capital of RMB 4,343,114,500. Business scope mainly includes: construction, design, toll collection, maintenance, management, technical consultation and supporting services of Shanghai-Hangzhou-Ningbo Expressway; gas stations along the Expressway, automobile rescue, cleaning, warehousing (excluding dangerous goods), catering (limited to branch operations).

**8. Shenzhen Lenovo Science and Technology Park Co., Ltd.** holds 5.28% shares of the Company. Established in April 2001 with a registered capital of RMB 223,856,258. 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.

**9. Lanhai Holding Group Co., Ltd.** holds 3.87% shares of the Company. It was established in September 2003 with registered capital of RMB 6.5 billion. Its business scope mainly includes investment management, modern agriculture, ecological forestry, real estate development and operation, information technology consulting services, sales of non-ferrous metals, building materials, rubber, automobile parts, import and export of goods and technology.

**10. Shanghai International Group Asset Management Co., Ltd.** holds 3.69% shares of the Company. It was established in December 1987 with a registered capital of RMB 3.5 billion. Its business scope mainly includes: all kinds of domestic and foreign investment business, asset management business, corporate management, financial consultation (not agent bookkeeping), investment consultation (not brokerage).

**11. Shanghai Shanxin Property Co., Ltd.** holds 1.44% shares of the Company. It was established in September 1996 with a registered capital of RMB 20 million. Its main business scope includes: real estate development and operation, rental of proprietary houses, production, processing and sale of electronic products (except medical devices).

**12. Orient International (Holding) Co., Ltd.** holds 1.31% shares of the Company. It was established in October 1994 with a registered capital of RMB 10 billion. Its business scope mainly includes: operate and act as an agent for the import and export business of textiles, clothing and other commodities, undertake Sino-foreign joint ventures, cooperative production, processing and compensation trades, technology import and export and foreign engineering contracting in textile and garment industries, international bidding projects in China, dispatch various kinds of labor to foreign countries, international freight forwarding business, property rights brokerage, and rental of proprietary business.

<sup>10</sup>According to CBIRC's Provisional Measures for the Equity Management of Commercial Banks, the major shareholders are those who hold or control over 5% of the shares or voting rights of commercial banks, or who hold less than 5% of the total capital or shares but have a significant influence on the operation and management of commercial banks.

### (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

No.	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.	18.45%	0	
2	China Cosco Shipping Corporation Ltd.	Director ( 1 )	State Council	9.22%	0	
3	Bao Steel Corporation Ltd.	Director ( 1 )	State Council SASAC	9.22%	0	
4	China Pacific Life Insurance Co., Ltd.	Director ( 1 )	China Pacific Life Insurance Co., Ltd.	6.45%	0	
5	Shanghai International Group Co., Ltd.	Director ( 1 )	Shanghai SASAC	18.45%	0	
6	Shanghai Guosheng Assets Co., Ltd.	Director (1)	Shanghai Guosheng Assets Co., Ltd.	5.46%	0	
7	Zhejiang Expressway Co., Ltd.	Director (1)	Zhejiang Communications Investment Group Co., Ltd.	5.36%	0	
8	Shenzhen Lenovo Service and Technology Park Co., Ltd.	Director ( 1 )	Beijing Hongyi 2010 Equity Investment Center (Ltd. Partnership)	5.28%	0	
9	Lanhai Holding Group Co., Ltd.	Supervisor ( 1 )	Mi Chunlei	3.87%	95.24%	
10	Shanghai International Group Asset Management Co., Ltd.	Supervisor ( 1 )	Shanghai International Group Co., Ltd.	18.45%	0	The nominated director has resigned on 27 Feb., 2019.
11	Shanghai Shanxin Real Estate & Development Co., Ltd.	Supervisor (1 )	Wu Zhenlai	1.44%	0	
12	Orient International (Holding) Co., Ltd.	Supervisor (1 )	Shanghai SASAC	1.31%	0	

### (IV) Share Pledge by Major Shareholders

As of end of the reporting period, the number of pledged shares by major shareholders totaled 320 million shares, all are pledged by Lanhai Holding Group Co., Ltd. (95.24% of its holding).

Shareholder name	Number of shares ( share )	Number of pledged shares ( share )	Pledge%
Lanhai Holding Group Co., Ltd.	336,000,000	320,000,000	95.24%
Total	336,000,000	320,000,000	95.24%

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

### (V) Other Information Required by CBIRC

None.

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## Directors, Supervisors, Senior Management and Employees

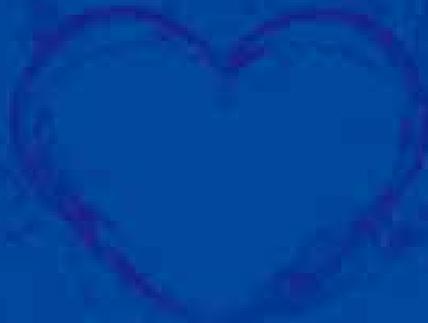
Board of Directors and Supervisors and Senior Management

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)
<b>Members of the Board of Directors</b>						
Chairman	Ji Guangheng <sup>11</sup>	Male	1968	2017.3.30—2019.1.2	√	
Vice Chairman	Xu Li <sup>12</sup>	Male	1967	2017.3.30—change of term of office	√	
Shareholding Director	Zhou Lei	Male	1978	2017.3.30—change of term of office		
Shareholding Director	Huang Jian	Male	1969	2018.4.27- change of term of office		
Shareholding Director	Wu Kunzong	Male	1971	2018.2.28- 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	Ha Erman	Female	1975	2017.3.30—change of term of office		
Shareholding Director	Wang Dehua	Male	1974	2018.8.16- change of term of office		
Shareholding Director	Chen Shuai	Male	1974	2017.3.30—change of term of office		
Shareholding Director	Deng Weili <sup>13</sup>	Male	1964	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		
<b>Members of the Board of Supervisors</b>						
Chairman of the Board of Supervisors	Li Jianguo	Male	1963	2018.4.27—change of term of office		
Vice Chairman of the Board of Supervisors	Ma Yongjian	Male	1971	2017.9.4—change of term of office	√	
Shareholding Supervisor	Zhang Xilin	Male	1979	2017.12.15—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		
Employee Supervisor	Yang Yuanjun	Male	1966	2017.3.30—change of term of office	√	240,000
Employee Supervisor	Xu Jingfen	Female	1969	2017.3.30—change of term of office	√	
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		
<b>Senior management</b>						
President	Xu Li <sup>14</sup>	Male	1967	2017.3.30—2019.1.2	√	
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	Yu Minhua <sup>15</sup>	Male	1976	2018.6.12—change of term of office	√	96,000
Vice President	Kang Jie	Male	1979	2018.6.12—change of term of office	√	160,000

<sup>11</sup> Mr. Ji Guangheng resigned from SRCB Board of Directors on January 2, 2019 for personal reasons.

<sup>12</sup> On December 19, 2018, Shanghai Municipal CPC Committee issued the Notice on the Appointment or Removal of Mr. Xu Li etc. (Shanghai CPC Committee [ 2018 ] 1124), which approved Xu Li to be the chairman of SRCB. On January 2, 2019, SRCB held the 19th meeting of the 3rd Board, during which Xu Li was elected Chairman of SRCB. His qualifications were approved by Shanghai CBIRC on 22 April, 2019.

<sup>13</sup> Mr. Deng Weili resigned from the Board of Directors of SRCB on February 27, 2019 due to corporate governance arrangements of the Bank.

<sup>14</sup> On December 19, 2018, Shanghai Municipal CPC Committee issued the Notice on the Appointment or Removal of Mr. Xu Li etc. (Shanghai CPC Committee [ 2018 ] 1124), which approved the removal of Xu Li as President of SRCB and Gu Jianzhong as President of SRCB. On January 2, 2019, SRCB held the 19th meeting of the 3rd Board of Directors, during which Gu Jianzhong was elected President of SRCB. His qualifications were approved by Shanghai CBIRC on 22 April, 2019.

<sup>15</sup> On January 22, 2019, the qualifications of Vice President Yu Minhua and Vice President Kang Jie were approved by Shanghai CBIRC.

## II. Work Experience of Directors, Supervisors and Senior Management

### (I) Members of the Board of Directors

**Ji Guangheng**, male, was born in September 1968, Ph.D. in Economics, a Senior Economist. He is currently the Party Secretary and Chairman of SRCB, council member of China Banking Association, and council member representative in Shanghai Banking Association. 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, Master's degree in Economics, Senior Economist. Mr Xu is currently the Deputy Party Secretary, Vice Chairman and President of SRCB, Vice Chairman of Shanghai Financial Association, and Executive Director of Shanghai Financial Society. 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.

**Zhou Lei**, male, born in July 1978, MBA, economist. He is now the Director of Investment of Shanghai International Group Co., Ltd., Chairman and Secretary of the Party Committee of Shanghai State-owned Assets Operation Co., Ltd., Vice-Chairman and Director of Yangtze River Economic Joint Development (Group) Co., Ltd., Director of Guotai Junan Securities Co., Ltd., Chairman, Director and Member of Investment Committee of Shanghai Guoxin Investment Co., Ltd., Director and Member of Investment Committee of Guohua Satellite Application Industry Base Fund Management (Nanjing) 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 (equivalent to head of subsidiary), Party Secretary, Vice Chairman and President of Shanghai State-owned Assets Operation Co., Ltd.

**Huang Jian**, male, born in August 1969, MBA, senior accountant. He is currently General Manager of the Capital Operation Department of COSCO Shipping Group Co., Ltd., Director of COSCO Shipping Development Co., Ltd., Director of COSCO Shipping Technology Co., Ltd., Director of COSCO Shipping Financial Holdings Co., Ltd., Director of COSCO Shipping Captive Insurance Co., Ltd., Director of China Merchants Securities Co., Ltd., Director of Lanhai Medical Industry Investment Co., Ltd., and Director of SRCB. He was Deputy Director of Accounting Division, Finance Department; Deputy Director and Deputy Director of Fund Division, Treasury Department of former COSCO Group; Vice-President and General Manager of Finance Department of COSCO Shipping Lines North America Inland Transport Company; Financial Director and Party Committee Member of COSCO Americas, Vice-President of COSCO (Group) /COSCO Finance Department, Deputy General Manager of the Capital Operation Department of COSCO Shipping Group Co., Ltd (presiding over the work).

**Wu Kunzong**, male, born in February 1971, Master of Management, senior accountant. He is currently Financial Director of BaoSteel Co., Ltd., Director of Xinhua Life Insurance Co., Ltd., Director of Baosteel Zhanjiang Iron and Steel Co., Ltd., Director of Shanghai BAOSIGHT Software Co., Ltd., Director of the Financial Director Committee of The Listed Companies Association of Shanghai, and Director of SRCB. He was Deputy Director of Audit Department, Deputy Director and Director of Audit Department, Director of System Innovation and Finance, Director of Audit Department, General Manager of Operation and Finance Department, and Director of Assets Management of Baosteel Co., Ltd., and Financial Director and Secretary of Board of Directors of Baosteel Co. Ltd.

**ZHAO Ying**, male, born in July 1971, is a doctor of economics and CFA. He is now the director of Asset Management Centre, CPLIC; Executive Expert of the Investor Committee of Insurance Institutions of Insurance Asset Management Association of China, Director of Hangzhou Bank Co., Ltd., Supervisor of China Railway Development Fund Co., Ltd., and Supervisor of China Insurance Investment Co., Ltd.; Director of SRCB. 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 in economics, and economist. He is now the GM of SIG's 1st Investment Management Division, Director and General Manager of Shanghai Xieyi Asset Management Co., Ltd.; Director of China Pacific Insurance (Group) Co., Ltd. and Director of SRCB Board. He was 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.

**Ha Erman**, female, born in June 1975, Master's Degree in public management. She is now Party Committee member and Vice President of Shanghai Guosheng Group, Chairman of Guosheng Overseas Holding (Hong Kong) Co., Ltd., 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.

**Wang Dehua**, male, born in May 1974, Bachelor's degree. He is currently the Financial Director of Zhejiang Expressway Co., Ltd., Director of Yangtze United Financial Leasing Co., Ltd., Director of SRCB. He was Deputy Director of the Foreign Capital Audit Office of Zhejiang Provincial Audit Department, Deputy Director of the Enterprise Division of the Administrative Finance Department of the Liaison Office of the Central People's Government in the Hong

Kong Special Administrative Region, and Deputy General Manager of Zhejiang Communications Investment Group Financial 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, Director of Century Ginwa Incorporated Company, Director of Shanghai Municipal Investment Holding Co., Ltd., director of Shanghai Environment Group Co., Ltd., Director of Rongzhong Group Ltd., Financial Commissioner of Shanghai Youth League 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.

**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., Chairman of GP Capital Co., Ltd., Chairman of Shanghai Guohe Modern Service Industry Equity Investment Management Co., Ltd., Chairman of Shanghai Guofang FOF Equity Investment Management Co., Ltd., Chairman of Shanghai Qiaohe Property Co., Ltd., Director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd., and Director of Shanghai Lujiazui Financial and Trade Zone Co., Ltd. Supervisor of Shanghai Life Insurance Co., Ltd. and Director of SRCB. Mr. Deng previously served as a lecturer, Deputy 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., 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 1958, Doctor of Economics, senior economist. He is now Chairman of Shanghai Zhongping Guoyu Asset Management Co., Ltd., Chairman of PE Association of Shanghai, independent director of Shanghai Dazhong Public Co., Ltd., 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, independent director of TaxChina Co., Ltd., 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 and General Manager of Shanghai Vstone

Wealth Fund Sale Co., Ltd., Chief Partner, Chairman and President of Vstone, Executive Director of Shanghai Kaihui Investment Management Co., Ltd., Supervisor of Shanghai Kaiying Catering Co., Ltd., Executive Director of Hangzhou Kaiyang Technology Co., Ltd., Chairman of Shanghai Yuanlukung Vegetable and Fruit Cooperative, Executive Director and Manager of Beijing Kaishu Information Technology Co., Ltd., and independent director of Framestore and 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 Bank of Shanghai Co., Ltd., Industrial Securities Co., Ltd., Qiangsheng Holding Co., Ltd., and 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. 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 Song Qing Ling Foundation; Arbitrator of China International Economic and Trade Arbitration Commission, Shanghai Arbitration Commission, Shanghai International Arbitration Centre, International Chamber of Commerce Court of Arbitration, and Court of Arbitration for Sport. Mediator of WIPO Arbitration and Mediation Centre, external director of Donghao Lansheng (Group) Co., Ltd., and independent director of Zhejiang Medicine Co., Ltd. and SRCB Board. He was director of Law School, and Intellectual Property Research Centre, 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.

**Chen Kai**, male, born in November 1970, Doctor of Engineering. He is now Vice Chairman of Eastmoney.com, Executive Director of Shanghai Eastmoney Real Estate Co., Ltd., Executive Director of Shanghai Xuhui Eastmoney Microfinance Co., Ltd., Executive Director of Nanjing Eastmoney Information Technology Co., Ltd., Executive Director of Shanghai Weizhao Information Technology Co., Ltd., Executive Director and General Manager of Eastmoney Credit Information Co., Ltd., Vice Chairman of China Securities Credit Technology (Shenzhen) Co., Ltd. Executive Director of Shanghai Youyou Business Consulting Co., Ltd., Executive Director of Shanghai Eastmoney Financial Data Service Co., Ltd. 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, Legal Advisor of United Front Department, Shanghai Municipal Party Committee, and legal counsel to the Municipal Government of Huangpu District, Shanghai; NPC member of Shanghai Huangpu District; Member of Shanghai Huangpu District NPC Law Commission, Committee for Internal and Judicial Affairs; Deputy Chairman of New Social Stratum Association in Huangpu District; registered Expert of Insurance Asset Management Association of China, Member of the law think tank of China Banking Association, Member of the Arbitration Commission, All China Lawyers Association; Arbitrator of China International Economic and Trade Arbitration Commission, Director of Shanghai Bar Association, Director of Huangpu Work Commission, Shanghai Lawyers Association, and independent director of SRCB Board. He was Director of Shanghai Jinmao P.R.C. Lawyers.

## (II) Supervisors

**Li Jianguo**, male, born in June 1963, master of economics, economist. He is currently the Chairman of SRCB Board of Supervisors. He was the Deputy Director of the Hong Kong and Macao Affairs Office of the Foreign Investment Department of the People's Bank of China, Deputy Director of the Hong Kong and Macao Affairs Management Department, Deputy General Manager of SAFE Investment Company Limited, Chief Representative of the People's Bank of China in Tokyo, Director-level official of the International Department of the People's Bank of China, Deputy Director of the International Department of the Shanghai Headquarters of the People's Bank of China, Vice President and member of the Party Committee of Bank of Shanghai ( during his tenure, he served as Deputy Director of Liaoning Provincial Finance Department and Deputy Secretary-General of Liaoning Provincial Government successively ) .

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

**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..

**Wu Zhenlai**, male, born in September 1950, 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 General Manager of the Financial Investment 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 Director, Deputy Head and Head of the Finance Department of Orient International (Holdings) Co., Ltd. and Director of Shanghai Convention & Exhibition 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.

**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 director 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. 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, member of the 3rd Board of Shanghai Tongji University Education Development Foundation, Vice Chairman of the 4th Board of Shanghai Education and Accounting Society, and external director of SRCB. She was deputy director and director of Finance Department, Tongji University, representative of Shanghai 13th and 14th National People's Congress. .

## (III) Senior Management

**Xu Li**,<sup>16</sup> (Refer to work experience of Members of the Board of Directors for details).

**Li Jin**, male, born in June 1963, bachelor's degree, Senior Economist. Mr. Li currently serves as Vice President of SRCB, Vice Chairman of SCCA, and Council Member of Shanghai Real Estate Economic Society. 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**,<sup>17</sup> male, born in January 1965, doctor of laws and Economist. Mr. Jin currently serves as Vice President of SRCB, Chairman and Party Secretary of Yangtze United Financial Leasing Co., Ltd. Director of the 3rd Board of Rural Credit Banks Fund Clearing Center, Executive Director of Shanghai Numismatic Society. 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.

<sup>16</sup> On March 7, 2019, the Bank convened the 2nd Meeting of the 3rd Trade Union Committee in 2019 to elect Vice President Li Jin as the Chairman of the Trade Union; on March 16, 2019, the Bank convened the 3rd Member Congress of the 3rd Trade Union Committee to elect Vice President Li Jin as the employee director of the Bank.

<sup>17</sup> On February 28, 2019, Vice President Yu Minhua was appointed as Secretary of the Board of Directors of SRCB at the 21st Meeting of the 3rd Board of SRCB. His qualifications were approved by Shanghai CBIRC on 22 April, 2019.

**Yu Minhua**, male, born in September 1976, MBA, assistant economist. He is now Vice President of SRCB, Deputy to the 16th National People's Congress of Yangpu District, Director of Shanghai Young Entrepreneurs Association, and Director and Vice President of the 7th Council of Shanghai Yangpu District Football Association. He was Assistant General Manager and Deputy General Manager of the Credit Approval Department of SRCB, and Vice President (presiding work) of Yangpu Branch of SRCB.

**Kang Jie**, male, born in April 1979, bachelor's degree, assistant economist. He is currently the Vice President of SRCB and the Director of the 8th Council of Shanghai Young Entrepreneurs Association. He was the Secretary of the CPC Youth League Committee of SRCB, Vice President of Qingpu Branch of SRCB, Vice President (presiding work) of Huangpu Branch of SRCB.

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

#### Change of Board of Directors

The Company held its 2nd Ad-hoc Shareholders' Meeting on December 15, 2017. According to the nomination of shareholders—China Pacific Life Insurance Co., Ltd. and Shanghai International Group Co., Ltd.—Mr. Zhao Ying and Mr. Wang Tayu were elected as directors of the Bank. The qualifications of the two directors were approved by the former Shanghai Banking Regulatory Bureau on February 13, 2018.

BaoSteel Co., Ltd. and Cosco Shipping Group Co., Ltd. are both the single largest shareholders of the Bank after the transfer of shares held by the former single largest shareholder of the Bank—Australia and New Zealand Banking Group Co., Ltd., with one nomination right for Board seat, respectively. On February 28, 2018, the Company held its first Ad-hoc Shareholders' Meeting in 2018. According to the nomination of BaoSteel Co., Ltd., Mr. Wu Kunzong was elected as the director of the Company. On April 27, 2017, the Annual Shareholders' Meeting was held. According to the nomination of Cosco Shipping Group Co., Ltd., Mr. Huang Jian was elected as the director of the Company with a term of office starting from the adoption of the resolution during the shareholders' meeting to the change of terms for the 3rd Board. The qualifications of the two directors were approved by the former Shanghai Banking Regulatory Bureau on April 13, 2018 and June 20, 2018, respectively.

The Company held the 10th Meeting of the 3rd Board of Directors on March 28, 2018, and added Mr. Wang Tayu as a member of the board's Strategy Committee and Inclusive (Agricultural) Financial Service Committee. On July 17, 2018, the Company held the 13th Meeting of the Board of Directors, adding Mr. Zhao Ying as a member of the Board's Strategy Committee, Inclusive (Agricultural) Financial Service Committee and Audit Committee. Wu Kunzong is added as a member of the Board of Directors' Risk and Compliance Management Committee and Consumer Rights and Interests Protection Committee, and Huang Jian is added as a member of the Board of Directors' Strategy Committee and Inclusive (Agricultural) Financial Service Committee.

Xue Jian, former shareholder dispatched by Rizhao Iron and Steel

Holding Group Co., Ltd., resigned from the Board of Directors on May 31, 2018 due to equity transfer. On August 16, 2018, the Company held its 2nd Ad-hoc Shareholders' Meeting in 2018. On the nomination of the transferee—Zhejiang Expressway Co., Ltd., Mr. Wang Dehua was elected as a director of the Company with a term of office starting from the adoption of the resolution during the shareholders' meeting to the change of terms for the 3rd Board. The qualifications of the directors were approved by the former Shanghai Banking Regulatory Bureau on October 16, 2018.

Mr. Shen Xunfang, employee director of the 3rd Board of Directors, resigned from his duty as a director and member of the Nomination and Remuneration Committee for reaching the age of retirement.

#### Changes in the Board of Supervisors

Mr. Sun Jianping, the supervisor of the 3rd Board of Supervisors of the Company, submitted his resignation to the Board of Supervisors on April 27, 2018. The Company held its 2017 Annual Shareholders' Meeting on April 27, 2018. In accordance with the spirit of relevant documents of the Municipal Committee and the Municipal Government, Mr. Li Jianguo was elected as supervisor. On April 27, 2018, the 8th Meeting of the 3rd Board of Supervisors elected Mr. Li Jianguo as its Chairman, and the Chairman of the Nomination Committee of the 3rd Board of Supervisors. Meanwhile, Mr. Zhang Xilin was elected as member of the Audit Committee of the 3rd Board of Supervisors.

#### Changes in Senior Management

For personal reasons, Mr. Wang Jianping proposed his resignation as Vice President to the Board of Directors in June 2018.

The Company held the 12th Meeting of the 3rd Board of Directors on June 12, 2018, and appointed Mr. Yu Minhua and Mr. Kang Jie as vice presidents.

In December 2018, with the consent of the Municipal Committee (No. 260, 2018), Mr. Shen Xingbao was removed from the post of Vice President of the Bank for retirement.

### 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 allowances 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.

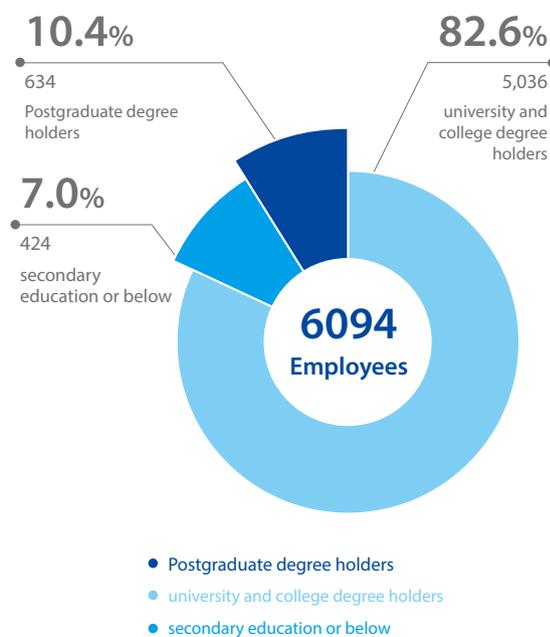
The salary of directors and supervisors includes annual allowance and post allowance for serving on committees, and meeting subsidy. Annual remuneration for independent directors and external supervisors is RMB 300,000 before tax. Allowance for serving on committees under the Board of Directors and Board 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 committees for shareholding directors and shareholding supervisors. The salary standards above were reviewed and approved during the General Shareholders' Meeting.

During the reporting period, the salaries and benefits paid to directors, supervisors and Senior Management totaled RMB 7,676,200 after tax, of which RMB 5,676,600 were accrued for 2018 while RMB 1,999,600 were accrued for previous years. The final remuneration of directors, supervisors and senior managers who are paid by the Company are in the process of confirmation by regulatory authorities, and the rest will be disclosed after confirmation.

## V. Employee Conditions

As of the end of the reporting period, the Company has 6,094 employees, including: 1,160 managers and 4,934 staff. There are 634 postgraduate degree holders, accounting for 10.4%; 5,036 college and Bachelor degree holders, accounting for 82.6%. The remaining 424 had secondary education or below, accounting for 7.0%.



# 3/3

## 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 2018 1st Ad-hoc Shareholders' Meeting, 2017 Shareholders' Meeting and 2018 2nd Ad-hoc Shareholders' Meeting, at which 11 resolutions were approved and 5 proposals were listened to. The procedure of announcement, organization, convention and voting procedure of the shareholders' meetings 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 equally 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 18 directors, including 2 executive directors, 9 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 actively promoting the implementation of strategic plans, effectively evaluating the execution of strategies, adjusting indicators for strategic planning, and 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 works such as promoting the implementation of capital and share increase, revising Articles of Association, the equity transfer of large shareholders, initiating A share IPO work, issuing financial bonds, and adjusting internal organizational structure, 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, Inclusive (Agricultural) Financial Service Committee, Risk and Compliance 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 28 meetings, and reviewed or listened to 92 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.

During the reporting period, the Board of Directors changed the name of Agricultural Financial Services Committee to Inclusive (Agricultural) Financial Service Committee and listed it separately instead of combining with the Strategy Committee. The Risk Management Committee was renamed the Risk and Compliance Management Committee and the working rules of the two committees were revised accordingly.

Board Secretary is now vacant.<sup>18</sup>

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

The 3rd Board of Supervisors is consisted of 9 supervisors, including 3 external 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). 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, supervisors performed their duties and participated in and attended all meetings and activities, and raised

<sup>18</sup> On February 28, 2019, Vice President Yu Minhua was elected Secretary of the Board of Directors of SRCB at the 21st Meeting of the 3rd Board of Directors of SRCB. His qualifications were approved by Shanghai CBIRC on 22 April, 2019.

independent viewpoints. Their performance of duties was relatively good generally, making positive contributions to the scientific development and establishment of a modern corporate system.

During the reporting period, the Board of Supervisors conscientiously fulfilled the supervisory responsibilities entrusted by laws and regulations and the Articles of Association. It held five meetings of the Board of Supervisors to review and approve 17 proposals, and held three meetings of the Board of Supervisors' Nominating Committee and the Audit Committee to review and approve five proposals. The Board of Supervisors, focusing on compliance and internal control, risk management and finance etc., strengthens investigation, research and supervision. During the reporting period, the Board of Supervisors held 20 survey meetings, and timely gave feedback to the senior management of the headquarters, tracked and supervised the implementation. The Board of Supervisors strengthens communication and interaction with the relevant functional departments such as audit, compliance and internal control, discipline inspection etc. and supervision of the bank, as well as the competent departments and regulatory authorities, so as to improve the pertinence and effectiveness of supervision. The Board of Supervisors strengthens the study and exchange with the Board of Supervisors of other banks and municipal state-owned enterprises, draws useful experience to continuously improve work performance.

## (V) Senior Management and Special Committees

Senior Management consists of 1 President, 4 Vice Presidents. During the reporting period, the Senior Management of the Company followed the Board's strategic decisions, centered on the annual strategic focuses in 2018, 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 16 special committees, including Inclusive Financial Work Promotion Committee, Secondary Transformation of Retail Business Committee, Asset and Liability Management Committee, Fee Income Business Promotion Committee, Consumer Rights and Interests Protection Committee, Business Continuity Management Committee, Product Service Review Committee, Corporate Finance Business Management Committee, Retail Finance Business Management Committee, Financial Market Business Management Committee, Credit Approval Business Committee, Risk Assets Resolution Committee, Information Technology Management Committee, Internal Control and Risk Management Committee, Physical Asset and Centralized Purchase Committee, and Financial Review Committee. The special committees regularly/irregularly reviewed and voted on related issues.

During the reporting period, the Senior Management newly established the Inclusive Financial Work Promotion Committee, Secondary Transformation of Retail Business 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 3 disclosures of periodic reports, namely the 2017 Annual Report, the 2017 Annual Social Responsibility Report, and 2018 1H Financial 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 5 times, namely 2017 Annual Shareholder Meeting Announcement, 2017 Announcement on Dividend Distribution, and announcements on 2018 1st Ad-hoc Shareholders' Meeting Announcement, the 2018 2nd Ad-hoc Shareholders' Meeting and Equity Registration Announcement.

# 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 10 meetings and all independent directors personally attended the meeting with the exception of 5 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

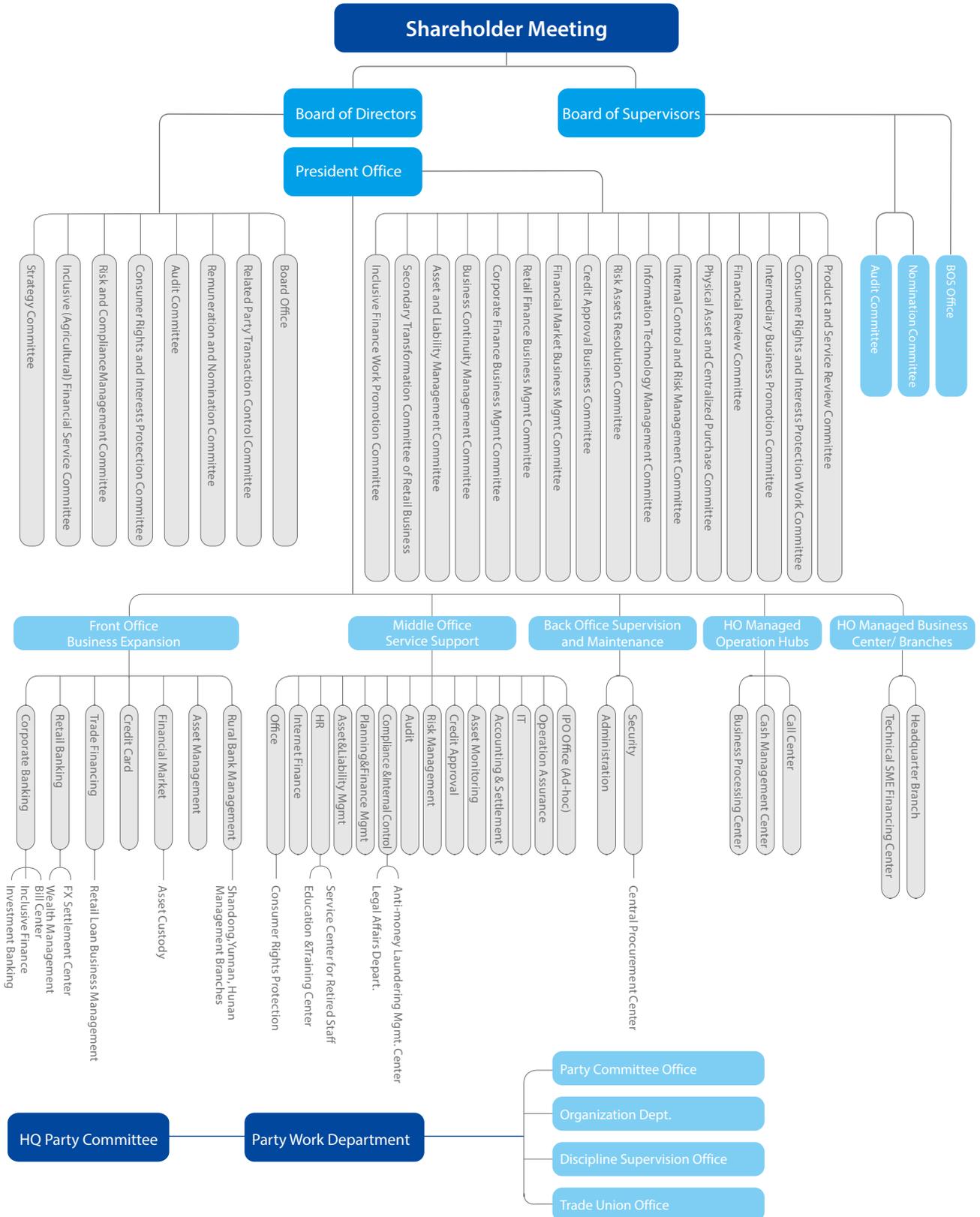
The Shareholders' Meeting is the highest institution of authority for the Company and assumes responsibility of making decisions on important matters. As a decision-making body of the Bank, the Board of Directors plays a central role in decision-making and reviewing. The Board of Supervisors is the body 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 implements 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 2017, assess the operation, profit and risk control of the senior management, and issue assessment opinion. The Proposal on 2017 Annual Performance Evaluation of Executive Directors, Employee Directors and Senior Management was reviewed and approved on the 9th Ad-hoc Meeting of the 3rd 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



Changes in Share Capital and Shareholders

Directors, Supervisors, Senior Management and Employees

Corporate Governance Structure

Introduction to Annual General Shareholders' Meeting

Report of the Board of Directors

Board of Supervisors Report

Important Matters

List of Financial Statements and Documents for Future Reference

# 3/4

## Introduction to Annual General Shareholders' Meeting

Annual General Shareholders' Meeting

Interim Shareholders' Meeting



## I. Annual Shareholders' Meeting

On 27 April, 2018, the Bank's 2017 Annual Shareholders' Meeting was held at SRCB Building, No.70 Zhongshan Rd (E-2), Shanghai. 83 shareholders and representatives attended the meeting, representing 5.73 billion shares, accounting for 71.62% of the Bank's total equity, of which 4.783 billion shares (59.78% of total equity) had voting right. The voting right of China Pacific Life Insurance Co., Ltd. was restricted since its shareholder qualification is under approval; the voting right of Lanhai Holding (Group) Co., Ltd., Shanxi Airlines Co., Ltd., and Huachen Longdefeng was restricted since their holding of SRCB shares were pledged. 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 2017 Annual Work Report", "Proposal on SRCB Board of Supervisors 2017 Annual Work Report", "Proposal on SRCB 2017 Financial Performance Report and 2018 Financial Budget Plan", "Proposal on SRCB 2017 Profit Distribution Plan", "Proposal on Amending SRCB Equity Management Measures", "Proposal on Nominating Mr. Huang Jian as Director of SRCB Board of Directors" and "Proposal on Nominating Mr. Li Jianguo as Member of SRCB Board of Supervisors". The meeting listened to "SRCB 2017 Financial Statement and Audit Report", "SRCB 2017 Director Performance Review", "SRCB 2017 Work Report on Agricultural Financial Services", "SRCB 2017 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 28 February, 2018, the Bank's 2018 1st Ad-hoc Shareholders' Meeting was held at SRCB Building, No.70 Zhongshan Rd (E-2), Shanghai. 74 shareholders and representatives attended the meeting, representing 5.31 billion shares, accounting for 66.38% of the Bank's total equity, of which 5.278 billion shares (65.98% of total equity) had voting right. The voting right of Huachen Longdefeng was restricted since its holding of SRCB shares was pledged. 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 Approving SRCB's Initial Program to Increase Shares and Capital", and "Proposal on Nominating Mr. Wu Kunzong as SRCB Director of the Board".

On 16 August, 2018, the Bank's 2018 2nd Ad-hoc Shareholders' Meeting was held at SRCB Building, No.70 Zhongshan Rd (E-2), Shanghai. 46 shareholders and representatives attended the meeting, representing 5.999 billion shares, accounting for 74.98% of the Bank's total equity, of which 5.679 billion shares (70.98% of total equity) had voting right. The voting right of Lanhai Holding (Group) Co., Ltd. was restricted partly since part of its holding of SRCB shares was pledged. 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", and "Proposal on Nominating Mr. Wang Dehua as SRCB Director of the Board".

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.



# 3/5

## 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)

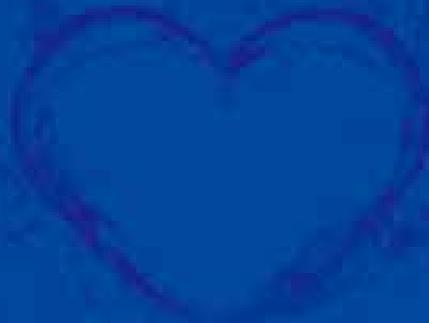
External Equity Investment

Use of Raised Funds

Audit Report

Routine Work of the Board of Directors

Corporate Social Responsibility



## I. The Company's Profit Distribution Plan

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. (Special General Partnership), during the reporting period, the Company achieved net profits of RMB 7,402,442,810.05, undistributed profits from previous years were RMB 13,027,783,944.30, and this year's distributable profits were RMB 19,323,123,021.28. The Company's profit distribution plan for 2018 was as follows:

(1) Statutory surplus reserve of RMB 740,244,281.01 and discretionary surplus reserve of RMB 1,932,312,302.13 were accrued from profits after tax as reported in the 2018 statutory financial statements.

(2) General reserve of RMB 366,859,452.06 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 8,000,000,000 on 31 Dec 2018 (the dividend of 680,000,000 incremental shares at end of December, 2018 was calculated since the second month, therefore not included in the 2018 dividend distribution scheme), the cash dividend of the common shares was RMB 1.85 yuan (tax included) per 10 shares, totaling at RMB 1,480,000,000.00 (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 2018 Shareholders' Meeting.

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

The Company's 2017 profit distribution plan were approved during the 2017 Shareholders' Meeting, namely "distribute cash dividend of RMB 1.6 per 10 shares (tax included) based on a total of 8,000,000,000 shares. Total distributed cash dividend was RMB 1,280,000,000 (tax included). All shareholders on record on the registration date of 15 May, 2018 will receive the distribution, and the right and dividend exclusion date is 16 May, 2018. Cash dividend was distributed on 16 May, 2018. 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
Jinan Changqing Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Ningyang Shanghai Rural Commercial Bank Co., Ltd.	62.59%	40,990
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.	68.29%	52,770
Tai'an Shanghai Rural Commercial Rural Bank Co., Ltd.	75.70%	76,340
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
Cili Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Lixian Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500

Equity investing companies	Holding ratio	Total investment as of end of the reporting period
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%	5,173
Yangtze River United Finance & Leasing Co., Ltd.	40%	800,000

## IV. External Equity Investment

During the reporting period, the Company injected RMB 93.6 million to three SRCB rural banks in Tai'an, Rizhao and Ningyang. After the capital injection, the total investment in the three rural banks was RMB 170.1 million, with the share-holding ratio reaching 75.7%, 68.29% and 62.59% respectively.

## V. Usage of Raised Funds by the Company

During the reporting period, the Company successfully issued by tender three phases of tier-II capital bonds from 2016 to 2017 on national interbank bond market, raising RMB 10 billion, which was mainly used to supplement tier-II capital.

During the reporting period, According to Shanghai SASAC's Approval on SRCB's Capital Increase by Private Agreement (Shanghai SASAC Property Rights [ 2018 ] 341), and Shanghai CBIRC's Approval on SRCB's Private Offering Scheme and the Qualifications of Certain Shareholders (Shanghai CBIRC Approval [ 2018 ] 52) and China Securities Regulatory Commission (CSRC)'s Approval on SRCB's Private Offering (CSRC Permit [ 2018 ] 2014), SRCB issued by private offering 680,000,000 new common shares, raising RMB 4.7396 billion, mainly used to enrich the core tier-I capital of the Company.

The above-mentioned fund-raising is of great significance for the Company to strengthen its capital strength, consolidate the foundation for IPO, and promote scientific development. It is also conducive to enhancing its operational strength, risk-resistance, and further serving real economy with financial support.

## VI. Audit Report

During the reporting period, the Company hired Deloitte & Touche Tohmatsu CPAs (Special General Partnership) to audit its financial statements (including the balance sheet ended on December 31, 2018, Income Statement, Cash Flow Statement, Statement of Changes in Equity, and financial statements notes) for the year 2018.

## VII. Daily Work of the Board of Directors

### (I) Board Meetings

During the reporting period, the Company convened 10 board meetings, reviewed or listened to 108 proposals.

1. On February 1, 2018, the Company convened the 9th Meeting of the 3rd Board. The meeting reviewed and approved the "Proposal on SRCB 2017 Performance and 2018 Work Plan", "Proposal on SRCB 2017 Strategy Execution Evaluation Report", "Proposal on SRCB Board 2017 Work Report and 2018 Work Plan", "Proposal on SRCB 2017 Director Performance Review Report", "Proposal on Nominating Mr. Wu Kunzong as SRCB Director Candidate", "Proposal on Appointing Mr. Yang Guiyuan as SRCB General Legal Counsel", "Proposal on Approving SRCB's Initial Scheme to Increase Capital and Shares", "Proposal on the Special Audit Report of SRCB's Capital and Share Increase", "Proposal on Approving the Signing of Continuous Related-party Transaction Framework Agreement between SRCB and China Pacific Life Insurance Co., Ltd.", "Proposal on Amending SRCB Management Measures on Fraud Prevention", "Proposal on SRCB 2017 Corporate Governance Self-Assessment Report", "Proposal on SRCB 2017 Self-assessment Report of Comprehensive Risk Management", and "Proposal on SRCB 2017 Self-assessment Report of Compliance Risk Management", "Proposal on Applying for Membership Qualification of Shanghai Futures Exchange and Initiating Gold Futures Business", "Proposal on SRCB 2018 Network Development Plan", and "Proposal on Holding the 1st Ad-hoc Shareholders' Meeting of SRCB in 2018". The meeting listened to the "Report on the Financial Services of SRCB in 2017", "Report on SRCB 2017 Consumer Rights Protection", "Report on Fraud Prevention and Control of SRCB in 2017", "Report on the Anti-Money Laundering Work of SRCB in 2017", "Report on SRCB's Equity Pledge and Equity Transfer between Legal Persons in 2017", and "Report on Named Sponsorship of Shanghai Women's Football Team by SRCB".

2. On March 28, 2018, the Company convened the 10th Meeting of the 3rd Board. The meeting reviewed and approved the "Proposal on SRCB 2017 Financial Statement and Audit Report", "Proposal on SRCB 2017 Financial Performance Report and 2018 Financial Budget Plan", "Proposal on SRCB 2017 Profit Distribution Plan", "Proposal on Amending SRCB Consolidated Statement Management Measures", "Proposal on SRCB 2017 Annual Report", "Proposals on Performance Evaluation of Executive Directors, Employee Directors and Senior Management in 2017", "Proposals on Nominating Mr. Huang Jian as a Candidate for SRCB Director", "Proposals on Supplementing Mr. Wang Tayu as Member of the Strategy Committee of the 3rd Board of SRCB (Agricultural Financial Services Committee)", and "Proposal on Amending the Equity Management Measures of SRCB", "Proposal on Formulating SRCB 2018 Risk Appetite Strategy", "Proposal on Amending the SRCB Regulations on Anti-Money Laundering Work", "Proposal on Credit to Cosco Shipping Group Co., Ltd. and Related Companies", "Proposal on General Investment Settlement of Building SRCB Business Processing Center Report", "Proposal on Holding SRCB 2017 Annual General Meeting". The meeting listened to "SRCB 2017 Comprehensive Risk Management Report", "SRCB 2017 Internal Control Evaluation Report", "SRCB 2017 Related Party Transaction and Internal Transaction Report", "SRCB 2017 Loan Waiver/Reduction Report", "SRCB 2017 Internal Audit Report", "SRCB 2017 External Donation Report", and "Report on Shanghai

CBRC's Regulatory Opinion and Requirement on SRCB to Resolve Risks of Rural Banks".

3. On May 18, 2018, the Company held the 11th Meeting of the 3rd Board. The meeting reviewed and approved the "Proposal on Transferring Shares of Rizhao Iron and Steel Holding Group Co., Ltd. to Zhejiang Expressway Co., Ltd." and "Proposal on Batch Transfer of Non-performing Assets by SRCB".

4. On June 12, 2018, the Company held the 12th Meeting of the 3rd Board. The meeting reviewed and approved the "Proposal on Appointing Mr. Yu Minhua as Vice President of SRCB and "Proposal on Appointing Mr. Kang Jie as Vice President of SRCB. The meeting listened to the "Report on the Resignation of Vice President Wang Jianping".

5. On July 17, 2018, the Company held the 13th Meeting of the 3rd Board. The meeting reviewed and approved the "Proposal on SRCB Work Performance in 2018 1H and Key Works in 2H", "Proposal on Starting the A-share IPO Work of SRCB", "Proposal on the Specific Scheme of Capital and Share Increase of SRCB", "Proposal on Amending SRCB Articles of Association", "Proposal on Formulating SRCB Rules for Equity Management", "Proposal on Renaming and Revising the Working Rules of the Agricultural Financial Service Committee under the Board of Directors", "Proposal on Renaming and Revising the Working Rules of Risk Management Committee under the Board of Directors", "Proposal on Supplementing Director Huang Jian as Member of Strategy Committee (Agricultural Financial Services Committee) of the 3rd Board of SRCB", "Proposal on Supplementing Director Wu Kunzong as Member of Risk Management Committee (Consumer Rights and Interests Protection Committee) of the 3rd Board of SRCB", "Proposal on Supplementing Director Zhao Ying as Member of Strategy Committee (Agricultural Financial Services Committee) and Audit Committee of the 3rd Board of SRCB", "Proposal on Nominating Mr. Wang Dehua as SRCB Director Candidate", "Proposal on Appointing Ms. Chen Nanhua as Head of SRCB Planning and Finance Department", "Proposal on Approving Compensation Standards for Chairman and Senior Management in 2018-2020", "Proposal on Splitting Planning and Finance Department into Asset and Liability Management Department and Planning and Finance Department", "Proposal on Amending SRCB Measures for Internal Transaction Management", "Proposal on Amending SRCB Measures for Market Risk Management", "Proposal on Revising SRCB Measures for Liquidity Risk Management", "Report on Consolidated Statement Management of SRCB in 2017", "Proposal on Internal Audit Planning of SRCB (2018-2020)", "Proposal on Approving Single Transaction Limits for Related Transactions of Financial Market Business between the Bank and 22 Financial Institutions", "Proposal on the Related-party Credit Granting to Shanghai State-owned Assets Management Co., Ltd.", "Proposal on Adjusting SRCB's Network Development Plan in 2018", "Proposal on the Reduction and Exemption of Bank Service Fees for Rural Banks in 2018", "Proposal on Donation of Accident Insurance to Farmers and Herdsmen in Five Counties of Shigatse, Tibet", and "Proposal on Convening the 2nd Ad-hoc Shareholders' Meeting of SRCB in 2018". The meeting listened to "Financial Performance Report of SRCB in 2018 1H" and "Report on the Implementation of Shanghai CBRC's Supervision Opinions of in 2017 and Rectification Measures of the Bank".

6. On August 30, 2018, the Company held the 14th Meeting of the 3rd Board (communication vote). The meeting reviewed and approved the "Proposal on Granting Credit to China Pacific Insurance (Group) Co., Ltd. and Its Related Companies", "Proposal on Granting Credit to China Everbright Bank Co., Ltd. and Its

Related Companies", "Proposal on Granting Credit to Haitong Securities Co., Ltd. and Its Related Companies", "Proposal on Granting Credit to Orient Securities Co., Ltd. and Its Related Companies" and "Proposal on Related-party Credit to Yangtze United Financial Leasing Co., Ltd."

7. On September 14, 2018, the Company held 15th Meeting of the 3rd Board. The meeting reviewed and approved the "Proposal on Changing the Specific Scheme of Capital and Share Increase of SRCB", "Proposal on the Strategy Execution Evaluation Report of SRCB in 2018 1H", "Proposal on the Evaluation Report of Major Shareholders of SRCB", "Proposal on Revising the Performance Assessment and Remuneration Allocation of Leaders besides Legal Representative of SRCB", and "Proposal on the Performance Evaluation Results of Leaders besides Legal Representative of SRCB in 2017".

8. On October 31, 2018, the Company held the 16th Meeting of the 3rd Board (communication vote). The meeting reviewed and approved the "Proposal on Formulating Data Governance Implementation Measures of SRCB".

9. On November 30, 2018, the Company held the 17th Meeting of the 3rd Board of Directors. The meeting reviewed and approved the "Proposal on Adjusting SRCB Development Strategic Plan for 2017-2019", "Proposal on Transferring the Equity of Yangtze United Financial Leasing Co., Ltd. Held by Bestway Marine & Energy Technology Co., Ltd. and Its Related Parties", "Proposal on the Issuance of Financial Bonds by SRCB", "Proposal on Formulating SRCB Capital Management Measures", "Proposal on Formulating SRCB Investment Management Measures", "Proposal on Amending SRCB Asset Impairment Reserve Management Measures", "Proposal on Amending SRCB Business Continuity Management Measures", "Proposal on Amending SRCB Credit Risk Management Policies", "Proposal on Amending SRCB Non-Credit Asset Risk Management Policies", "Proposal on Appointing Mr. Yao Xiaogang as SRCB Chief Financial Officer", "Proposal on Formulating SRCB Measures for Employee Behavior Management", "Proposal on Revising SRCB Procedures for External Audit of Annual Report", "Proposal on Purchasing Office and Business Buildings for Fengxian Sub-branch", "Proposal on Removing of Tianyi Office of Xiangtan County Sub-branch of SRCB", "Proposal on Loss Report of NPL Write-off and Disposal of Foreclosed Assets". The meeting listened to the "Report on the Share Registration and Trusteeship of SRCB", "Report on the Selection of Agency for A-share IPO Project of SRCB", "SRCB's Rectification Report on on-site Inspection for Incompliant Market Practice", "Report on the Performance and Management of SRCB Rural Banks", "Report on the Scheduling of Regular Board Meetings in 2019".

10. On December 17, 2018, the Company held the 18th Meeting of the 3rd Board of Directors (communication vote). The meeting reviewed and approved the "Proposal on Increasing SRCB Market Risk Limit Indicator".

## (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.

### Strengthened Capital Management to Lay a Solid Capital Foundation

Fully support the Company to implement capital and share increase. The Board of Directors, in addition to directional issuance to existing shareholders, actively introduced new high-quality shareholders, arranged the equity structure scientifically to consolidate the capital base for implementing the Company's strategy and IPO. Faced with the difficult situation with constantly changing external policies, the Board of Directors insisted on the strategic guidance and full support for the work of capital and share increase. From formulating the initial plan to adjusting targets of directional issuance due to policy reasons, and then to the decision of limiting number of issuance, the Board of Directors had held three meetings to make decisions, thus forming the final plan. Actively strengthened communication and coordination between the Management with the regulatory authorities, and with unremitting efforts, the approval of the Shanghai SASAC, CBIRC and the CSRC was finally obtained. Completed the issuance of 680 million shares with a total of RMB 4739.6 million of capital increase, and introduced Shanghai Shendi (Group) Co., Ltd. and Shanghai Light Industry Foreign Economic and Technical Cooperation Co., Ltd. as strategic investors to further strengthen the Company's capital strength and provide guarantee to steady business development.

Lead the Company to start the substantial work of IPO. The new Board of Directors had put "independent IPO" as the core strategy in the new planning period since its formation. The Board of Directors actively urged the senior management to strengthen communication with the regulators and shareholders to accelerate the IPO work. With the ripe timing for initiating IPO considering external environment and internal conditions, in the 2nd half of this year, the Board of Directors reviewed and approved the proposal on launching A-share IPO work, defined the schedule and the application base day, set up the leading team and office for IPO in the Bank, authorized the above-mentioned units to start the equity registration, trusteeship, asset ownership cleaning and other basic preparation work for IPO, completed the selection of A-share IPO sponsor (principal underwriter), law firm and other intermediaries. The Board of Directors regularly listened to the latest progress reports of the leading team on the preparations for listing, and all preparations are progressing orderly as planned.

Further strengthened capital management. Implemented regulatory requirements, formulated capital management measures, and clarified internal capital adequacy assessment, capital planning, capital adequacy ratio management plan and other work requirements; prepared periodic review of capital adequacy ratio management reports and internal capital adequacy assessment reports etc. in accordance with regulations and requirements to effectively assume the primary responsibility of capital management.

### Strengthened Strategic Management and implementation to Continuously Promote Transformation and Development

Strengthened strategic leadership to ensure the smooth implementation of the new three-year strategic plan. The Board of Directors further played its leading role in strategic transformation, adhered to steady progress, transformation and upgrading, improved its political positioning, actively served the real economy, practiced inclusive finance, comprehensively

implemented the development strategy centered on "independent IPO, upgrading traditional businesses, developing emerging businesses, transforming management and driving by talent", focused on profit, deepened transformation, accelerated innovation, cultivated specialties and enhanced coverage to achieve good economic benefits on the basis of keeping the bottom line of risk management and ensuring compliance. Under the general strategic framework, the strategic system was further improved by the review and approval of IT outsourcing strategy, consumer rights protection strategy and internal audit planning.

Strengthened strategic assessment and timely adjusted the new three-year strategic plan. The Board of Directors regularly evaluated the implementation of the Company's 2017-2019 strategic development plan, focused on problem-solving, strengthened gap analysis, and speeded up implementation. Meanwhile, the Board of Directors, while deeply grasping the macroeconomic environment, industry development trend and financial regulatory environment, combined its own advantages, resources and customer needs, constantly emancipated the mind, innovated ideas, got rid of pursuit of scale, and dynamically fine-tuned the new three-year development strategy; adjusted the quantitative strategic indicators such as total assets, the proportion of fee income and net profit etc., added contents in the strategy such as supporting the development of private economy, promoting inclusive finance and rural revitalization strategy, accelerating the development of scientific and technological financial business, and adjusted the positioning of rural banks and non-standard business development strategy so as to maintain the perspective and adaptability of strategic planning.

Managed the overall operation of the Company in an all-round way. By reviewing the annual and mid-year performance, the draft financial budget, budget execution and annual financial statement, the Board of Directors, on the basis of overall grasping of the Company's operation and financial budget and settlement, discussed, formulated and set reasonable annual performance indicators and further clarified the guiding philosophy of and the key requirements of each business line in annual work. Regularly listened to the management's work reports, paid attention to the implementation of business plans and major decisions, deepened the reform of key areas and key links, and urged the management to promote the implementation of annual key works to ensure the effective implementation of strategic intentions.

Improved the management level of the Group. The Board of Directors formulated investment management measures, clarified the governance structure, division of responsibilities and related requirements across pre-investment to post-investment management, and further consolidated the Group's investment management work. Revised the management measures of consolidated statements and regularly reviewed the consolidated statement management reports, requiring the management to further strengthen the construction of consolidated statement management system and business synergy at the Group level; focused on the operational risk and asset quality of rural banks, reviewed the proposals on reducing and exempting the service fees of rural banks, listened to detailed reports on the operation and management of rural banks and risk mitigation and rectification reports. Some directors went to Yunnan to investigate the operation and risk management of rural banks, and reminded managers to strengthen the consolidated management of rural banks, control and management from comprehensive risk management to internal control and audit, systematically consider the risk resolution of rural banks in three provinces, and explore a

scientific and effective management model; paid close attention to the development of the Leasing Company, regularly listened to its reports on operation and management, reviewed and approved the equity transfer of the Leasing Company to support higher shareholding ratio, strengthen management and control, and promote its sustainable and stable operation.

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

Strengthened risk and asset quality management. The Board of Directors reviewed proposals on annual risk appetite, amendment of market risk management policies, management measures of liquidity risk and asset impairment, batch transfer of non-performing assets, annual NPL write-off and disposal of foreclosed assets, followed quarterly 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 strengthen comprehensive risk management and risk control of rural banks at the Group's level, and be strict with NPL accountability, increase economic penalty to person involved, and balance between business development, compliance and risk control.

Strengthened vertical audit management and supervision to improve internal control system. The Board of Directors reviewed and approved the Bank's mid-and-long term internal audit plan, 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; attached great importance to regulatory requirements and inspection opinions, urged the Senior Management to conduct self-examination and rectification, comprehensively investigated weak links and potential risks, and took effective rectification measures. Within the year, the Board of Directors listened to the rectification report of the Senior Management on annual rectification report following regulatory opinions and on-site inspection of market disorders.

Strictly controlled transaction risk by strengthening related-party transaction supervision and management. the Board of Directors urged the Senior Management to strengthen the related party transaction reporting, develop online related party transactions management system, strictly implement the regulatory requirements of equity penetration management, urge major shareholders to report information such as controlling shareholders, actual controllers, related parties, concerted actors and ultimate beneficiaries according to the penetration principle, strengthen penetration audit, update and confirm the list of related parties in time. 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.

Changes in Share Capital and Shareholders

Directors, Supervisors, Senior Management and Employees

Corporate Governance Structure

Introduction to Annual General Shareholders' Meeting

Report of the Board of Directors

Board of Supervisors Report

Important Matters

List of Financial Statements and Documents for Future Reference

### Continuously Improved Corporate Governance

Improved the corporate governance structure. The Board of Directors strictly followed relevant regulations in carrying out the corporate governance procedures for the selection of directors and senior managers in an orderly manner. Five new directors joined the Board last year, and directors with corresponding expertise were added to the relevant special committees to continuously optimize the composition of the Board of Directors' special committees; implemented regulatory requirements, strengthened the performance of the Board of Directors, renamed the Board of Directors' "Risk Management Committee" as "Risk and Compliance Management Committee", the "Agricultural Financial Service Committee" as "Inclusive (Agricultural) Financial Service Committee", and separated them from the Strategic Committee, and amended the working rules of the two committees accordingly; strengthened building of secretarial teams of special committees under the Board of Directors, formulated working mechanisms of secretarial teams and assisted the special committees to better carry out their work.

Standardized the decision-making process of the Board of Directors. Gave full play to the role of Party leadership in corporate governance, and listened to the views of Party Committee before important issues were submitted to the Board of Directors for review. Gave full play to the professional advantages of special committees, who thoroughly discussed and studied the proposals to be submitted to the Board meeting, put forward professional opinions and suggestions, and chairmen of special committees expressed professional opinions when the Board reviewed relevant proposals so as to support the decision-making of the Board of Directors; established the general legal counsel system so that the general legal counsel would provide legal opinions and assist the Board in making scientific decisions when the Board of Directors reviewed major related-party transactions and major business decisions.

Strengthened the construction of corporate governance system. Under the background of stringent financial supervision, the Board of Directors fully implemented regulations in the corporate governance system. In accordance with the Interim Measures for the Equity Management of Commercial Banks and the requirements of articles of corporation of non-listed public companies, the Board of Directors reviewed the proposal on amending of the Articles of Corporation, including the rights and obligations of shareholders, equity trusteeship, information disclosure, investor relationship management, names and responsibilities of the Board of Directors and other articles; revised the equity management measures, formulated the SOP of equity management, data governance measures and the employees' code of conduct and included the new regulatory requirements related with the Board in the scope of the Board's review. Moreover, promoted the formulation of management measures of capital and investment considering the real situation of the Bank, revised consolidated statement management measures, internal transaction management measures, external audit procedure of annual report etc., continued to improve the corporate governance system in accordance with standards of listed banks, and further solidified the foundation of corporate governance system.

### The Board of Directors Scientifically Fulfilled Its Roles and Responsibilities With Continuously Improving Efficiency

In 2018, the Board of Directors strictly abided by laws and regulations and the provisions of the company's Articles of Corporation, and organized shareholders' meetings and Board

meetings to review important issues including the corporate strategy, operation, comprehensive risk management and corporate governance. The Board of Directors earnestly implemented the resolutions of the shareholders' meeting, accepted the supervision of the Board of Supervisors, regularly followed up and promoted the implementation of resolutions of the Board of Directors and the opinions and suggestions of directors and supervisors, required the management to report on the progress of strategic execution timely, regularly summarized and analyzed the latest performance, risk management and the progress of major issues, and deepened directors' understanding of the business operation of the Bank, and fully played directors' role as think tank.

All directors diligently fulfilled their roles and responsibilities, actively attended meetings and fully expressed their opinions; emphasized field investigation, focused on issues of concern to the Board of Directors such as risk management of rural banks and agricultural financial services; selected representative branches and clients for investigation and timely reported the results to the Senior Management so as to improve the management level of the Bank. The Board of Directors paid attention to the continuous professional development of directors, strengthened the communication of regulatory policies, invited regulatory authorities to explain the new regulations for directors, organized directors to participate in the independent directors' qualifications training organized by the Shanghai Stock Exchange, and invited directors to attend supervisory conferences, business forums and seminars on behalf of the Bank so as to enhance the performance of directors.

### Maintained Investor Relations and Improved Information Disclosure

Strengthened equity management to safeguard the legitimate rights and interests of investors. The Board of Directors revised and improved the equity management system, clarified the responsibilities of major shareholders and regularly assessed major shareholders; promoted the Senior Management to investigate equity and shareholder disorders in accordance with regulatory requirements, effectively implemented rectification and standardized shareholders' behavior; implemented regulatory requirements to strictly verify shareholders' qualifications and sources of capital invested in shares, and introduced three quality new shareholders including Zhejiang Expressway Co., Ltd., Shanghai Shendi (Group) Co., Ltd., and Shanghai Light Industry Foreign Economic and Technical Cooperation Co., Ltd. to ensure the stability of the Company's equity structure before listing; carried out the registration of shareholders' rights in an orderly manner, handled the procedures of equity transfer, inheritance and pledge efficiently to safeguard the legitimate rights and interests of shareholders, and improve the service to shareholders.

Strengthened the protection of consumers' rights and interests and actively fulfilled social responsibilities. The Board of Directors improved the management system of consumer rights protection, formulated consumer rights protection strategies, and regularly listened to work reports on consumer rights protection; meanwhile, focused on the implementation of social responsibilities such as agricultural finance, micro-finance, scientific and technological finance, green finance and community finance; continued to donate public welfare projects of accident insurance for farmers in five counties of Shigatse, Tibet, to help fulfill responsibility and enhance brand image.

Compliant and efficient disclosure of information. The Board of

Directors took listed banks as the benchmark, strictly controlled the quality of information disclosure, and ensured the objectivity, authenticity, integrity and accuracy of periodic reports and social responsibility reports. In 2018, three periodic reports and five interim announcements were disclosed. In 2018, the Bank's social responsibility report was awarded the "Entry Award" of the Golden Bee CSR China Honor Roll, and the level of information disclosure and social impact were 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 28 meetings which reviewed and listened to 92 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, made decisions on important strategic issues such as capital and share increase scheme, IT outsourcing strategy, and issuing financial bonds etc., continuously strengthened strategy management capability to ensure proper implementation of the strategic targets.

Inclusive (Agricultural) Financial Service Committee supervised the implementation of inclusive financial services.

The Risk Management Committee improved risk management system, 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, promoted batch transfer of NPL to guard the bottom line of risk management.

The Consumer Rights and Interests Protection Committee formulated strategies to protect consumers' rights and interests, continued to follow up the progress and implementation of consumer rights and interests protection work throughout the Bank and guided the orderly progress of consumer rights and interests protection work.

The Audit Committee revised the working procedures of external audit, solidly promoted annual external audit, promoted the implementation of external audit suggestions, formulated medium-and-long-term internal audit plan, clarified objectives for internal audit plan and further promoted the transformation of internal audit functions.

The Compensation and Nomination Committee carefully examined the qualifications of directors and senior managers, implemented sound compensation management, carefully studied the performance evaluation and compensation distribution mechanism of senior managers, and improved the performance assessment of directors and senior managers.

The Related-party Transaction Control Committee 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.

## VIII. Social responsibility

The Company upholds innovation-driven development and transformation, strengthens social responsibility management, meanwhile assumes responsibilities in the fields of economic development, social progress, environmental protection and employee care, 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, fulfill social responsibilities, and make efforts to integrate social value, shareholder value, employee value and customer value.

### Served Shanghai's Real Economy and Supported Major National Strategies

During the reporting period, the Company followed national policies to fully serve major strategies such as the "Belt and Road Initiative" and supply-side reform, supported the development of real economy in Shanghai and the construction of scientific innovation center, facilitated industrial transformation, improved people's livelihood, and fulfilled the responsibility of providing financial services to key areas related with national economy and people's livelihood.

the Company, in support of the "Belt and Road" construction, closely followed financial innovation policies in Shanghai Free Trade Area, and launched targeted financial services and innovative products considering the stages of domestic enterprises' "going global" and the actual needs of companies, used offshore financing against domestic guarantee, direct financing against domestic guarantee, FTU loan and other financing products as well as new product combinations such as "import Xinhuiying" and "export Xinhuiying" to help domestic "going global" companies effectively guard against exchange rate fluctuation risk. In serving the supply-side reform, the Company focused on the investment demand of industrial enterprises in the restructuring process such as "de-capacity", "de-inventory", "de-leverage", "cost reduction" and "improving weak links", designed and launched related credit products such as ship purchase mortgage loan, construction machinery mortgage loan and mechanical equipment mortgage loan, engineering machinery mortgage loan, machinery and equipment mortgage loan etc. to support existing enterprises to improve economic efficiency, improve product quality and increase product variety.

The Company signed strategic cooperation agreements with over 10 district governments in Shanghai, and provided financial support to key areas, projects and companies in the districts. The Company actively supported people's livelihood projects such as government-subsidized housing, affordable housing, urban infrastructure and other key projects. In 2018, 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 and duration terms compared with commercial property loans. In 2018, the Company continued the "1st and 2nd tier joint development" model in urban village projects. Within the reporting period, 15 urban village projects such as Hongqi Village in Putuo District were implemented with RMB 15.177 billion line of credit.

During the reporting period, the Company actively participated in the building of Shanghai scientific and technological innovation center following the Action Plan of Shanghai Banking Industry in Support of the Development of Scientific and Technological Innovation Center, played the Bank's advantages and specialties in this undertaking. The Company promoted the development of "2+N" scientific innovation service system, set up Yangpu Mass Innovation and Entrepreneurship Sub-branch; strengthened the innovation of scientific and technological financial products, piloted the "Xinyongdai" business with a maximum ticket size of RMB 60 million, launched the "Xindongneng" project of cultivating strategic emerging customers, and established a list database of high-growth SMEs in strategic emerging scientific and technological industries such as biotechnology, artificial intelligence and cloud computing. By end of 2018, accumulative number of scientific and technological corporate customers was 1,676 with a loan balance exceeding RMB 21 billion. The Bank won "2018 Shanghai Banking Industry Scientific and Technological Financial Service Award" issued by Shanghai Banking Association.

#### Supported the Development of Private Enterprises and Served Agriculture and SMEs



the Company implemented the national requirements on financial support for the development of private enterprises, adhered to the strategic positioning of serving private enterprises, established a long-term mechanism for serving private enterprises, and launched a number of service initiatives in credit line support, improving business proportion and service system, provided comprehensive full-process financial services to private enterprises with prominent main business, good corporate governance and strong risk control capability in line with policy orientation to support solving the financing difficulties faced by private enterprises. At the end of the reporting period, private enterprises accounted for 85% of corporate customers with the financing balance to private enterprises exceeding RMB 120 billion. Among SME customers with total credit line below RMB 10 million, private enterprises account for over 90% in terms of the number of accounts and the financing balance.

The Company has practiced inclusive finance without forgetting its original aspiration by focusing on agriculture and serving SMEs; deepened the feature of agricultural finance, by extending the traditional agricultural finance to new areas of modern agriculture in agricultural production, distribution and supporting services such as rural infrastructure and family farms etc.. The Company strengthened support to niche forms of "Agriculture+" industries through establishing cross-border business service platform and innovating financial services for agriculture. The Company strengthened the innovation of agriculture-related financial products, launched agricultural machinery loan business in 2018 to further enrich agricultural financial products. At the end of the reporting period, the Company's agricultural loan balance was RMB 47.615 billion, an increase of RMB 3.596 billion over the beginning of this year.<sup>19</sup>

The Company took serving SMEs as its responsibility. The Company strengthened policy support in SME finance and resource allocation, improved service quality and efficiency, and innovated services and products by optimizing the mechanism and actively fostered a fair credit culture of "daring, able and willing to get loans" for SMEs. At the end of the reporting period, the Company's loan balance for SMEs following national standard was RMB 127.818 billion, and the number of SME loan accounts was 11,172, ranking 1st in terms of inclusive financial loan balance among Chinese and foreign banks in Shanghai, fully meeting CBIRC's regulatory requirements of "two increases and two controls" for SMEs, and PBOC's "second level" standard of targeted cuts to required reserve ; obtained many honors and awards such as "Outstanding SME Financing Service Partner in Shanghai", "2018 Outstanding Contribution Award to Inclusive Finance of Shanghai Banking Industry", "Best SME Service Case in 2018" etc.

#### Served Community Residents and Focused on Employees' Career Development



The Company puts customers at the center and dedicates to serve community residents. There are 260 community outlets out of 370 outlets in Shanghai, which provide high-quality financial services for community residents. The Company strengthened the transformation and upgrading of hardware and software facilities in outlets, further optimized service process and service quality by equipping rescue telephone, dial-free direct telephone, accessible parking spaces, courtesy seats, accessible ramps, voice call system, call display screens and courtesy service window. While strengthening the construction of physical outlets, the Company strengthened the construction of Internet financial businesses, devoted to online products, mobile services, intelligent self-service machines and modernization of customer service centers. It provided secure, fast and

<sup>19</sup> The Company's definition for "agricultural" statistics was adjusted considering the change of Chongming County to a district in Shanghai and other reasons.

convenient financial products and services with online banking, mobile banking, Wechat banking, direct banking, telephone banking, self-service machines, website portals, e-commerce platforms and other channels. During the reporting period, the Company strengthened the publicity of financial knowledge by setting up stands for consultation, holding financial classes and wealth management salons, actively participating in community welfare activities, inviting customers to experience new business in the outlets, and organizing a number of publicity and popularization activities of financial knowledge.

The Company has attached great importance to employees' career development needs, improved their career planning and development channels, actively broadened internal communication channels, promoted internal talent flow, and provided employees with good growth and promotion space. The Company adjusted the qualification requirements and tenure management of leaders to promote outstanding young talents; improved the recruitment and selection mechanism across the Bank by reasonably adopting methods such as internal recommendation or open competition taking into account the actual situation of posts and conditions of candidates; developed professional sequence evaluation and recruitment to provide a broad stage for professionals to play their advantage; strengthened the introduction of talents and opened up 53 posts to the public, employing about 56 people; made campus recruitment more pertinent and scientific, carried out the "Xin Experience" summer internship program, and signed a strategic cooperation agreement with prestigious universities in Shanghai on the joint construction of internship bases and industry, teaching and research cooperation.

The Company cares for the physical and mental health of employees. It has completed the implementation of the tax premium health insurance plan, purchased supplementary medical insurance for employees to further guarantee the benefits of employees; carried out on the insurance and claim of employees' home property insurance, continued to care for the retired employees in the current year and those over 90 years old, and promoted grass-root trade unions to continue with the care work for retired employees; organized one-day donation across the Bank, and visited more than 380 employees suffering from diseases and difficulties.

**Active in Social Welfare, Contributed to Society, and Promoted Green Credit**

During the reporting period, the Company actively involved in public welfare, and continued to donate RMB 2 million to buy accident insurance for farmers in five counties of Shigatse, Tibet, and received 323 case reports with a total claim amount of RMB 2.511 million (125.5% claim rate); donated RMB 0.2 million to Shanghai Children's Hospital's "Parenting School" project to support the publicity of parenting knowledge, which supported 78 lectures with 5600 parents participating and 0.38 million times of view online cumulatively; started new round of assistance work with Shanyang Village and Yongnan Village of Chongming County, and Tangwai County of Fengxian District. In 2018, RMB 4 million was donated to 22 public welfare projects.

During the reporting period, the Company, based on national policy of green credit, specified in the 2018 credit policy to 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. 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 equipment 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.

(For full text, see the SRCB's 2018 Annual Corporate Social Responsibility Report)



Changes in Share Capital and Shareholders

Directors, Supervisors, Senior Management and Employees

Corporate Governance Structure

Introduction to Annual General Shareholders' Meeting

Report of the Board of Directors

Board of Supervisors Report

Important Matters

List of Financial Statements and Documents for Future Reference

3/6

## 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

Within the reporting period, 5 Supervisory Board meetings were held which reviewed and approved 17 agendas, listened to 1 report, submitted 22 documents to supervisory authorities and regulators. Supervisors carefully participated in meetings of the Supervisory Board and raised their opinions and points.

1. The 6th Meeting of the 3rd Board of Supervisors was held on 1 Feb., 2018, which reviewed and approved the "Proposal on SRCB Board of Supervisors' 2017 Annual Work Report", "Proposal on SRCB Board of Supervisors' 2018 Annual Work Plan", and "Proposal on Amending SRCB Management Measures on Fraud Prevention and Control".

2. The 7th Meeting of the 3rd Board of Supervisors was held on 10 April, 2018, which reviewed and approved the "Proposal on SRCB Supervisor Candidate", "Proposal on SRCB Board of Supervisors' 2017 Annual Work Report", "Proposal on SRCB 2017 Directors' Performance Evaluation", "Proposal on SRCB 2017 Annual Work Supervision Assessment Report", "Proposal on SRCB 2017 Annual Audit Report", "Proposal on SRCB 2017 Annual Report", "Proposal on Amending SRCB Anti-money Laundering Management Measures", and "Proposal on Amending SRCB Consolidated Statement Management Measures".

3. The 8th Meeting of the 3rd Board of Supervisors was held on 27 April, 2018, which reviewed and approved the "Proposal on Electing Chairman of SRCB 3rd Board of Supervisors", "Proposal on Nominating Li Jianguo as Member of the Nomination Committee under the 3rd SRCB Board of Supervisors", and "Proposal on Nominating Zhang Xilin as Member of the Audit Committee under the 3rd SRCB Board of Supervisors".

4. The 9th Meeting of the 3rd Board of Supervisors was held on 31 Oct., 2018, which reviewed and approved the "Proposal on Amending SRCB Market Risk Management Measures", and discussed the issue of changing the name of Audit Committee under the Board of Supervisors to Supervisory Committee.

5. The 10th Meeting of the 3rd Board of Supervisors was held on 30 Nov., 2018, which reviewed and approved the "Proposal on SRCB HR Management Survey and Evaluation Report", and "Proposal on Formulating SRCB Data Governance Implementation Measures".

### (II) Attendance at the Shareholders' General Meeting

During the reporting period, the Company's Board of Supervisors reported to the shareholders' meeting the evaluation results of the directors' performance in 2017, the work report of the Board of Supervisors in 2017 and the proposals for nominating SRCB supervisor candidates.

Supervisors of the Company attended or were presented in the shareholders' meeting as required.

### (III) Attendance at the Board of Directors Meetings

During the reporting period, the supervisors attended the board meetings as required. The supervisors independently expressed their opinions and performed their supervisory duties in listening to and reviewing proposals.

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

#### 1. Strengthened compliance supervision and organized special supervision to rectify financial market disorders

The Board of Supervisors attached great importance to rectifying financial market disorders by organizing meetings with headquarters departments and business units, writing the SRCB Report on the Deepening of the Rectification of Banking Market Disorders and submitting it to Shanghai SASAC as a special report. The Board of Supervisors analyzed the main manifestations, causes and relevant cases of the disorders in the banking sector, and carried out an evaluation of the rectification work, which showed that the Company attached great importance to the rectification of banking market disorders with comprehensive organization, strong impetus, strict accountability and proper rectification, and achieved preliminary results. Meanwhile, the Board of Supervisors required the Company to further implement the rectification considering regulatory check and evaluation, form a long-term mechanism of "rectification-evaluation-rectification", and constantly consolidate and deepen the effectiveness of the rectification work.

#### 2. Strengthened supervision of risk management, compliance, internal control and internal audit

Faced with relatively prominent financial risks and changes in the overall steady economy, the Board of Supervisors held 3 special meetings to strengthen supervision of risk management compliance, internal control and internal audit.

First, listened to the Company's risk management report. The Board of Supervisors required the Risk Management Department to further improve the comprehensive risk management system, extend the scope of management to the subordinate companies of the Group, and achieve effective penetration; carefully studied the changes in macroeconomic situation and regulatory policies to ensure that relevant policies and work requirements are transmitted to all levels of the Bank and effectively landed; strengthened the construction of information systems, and gradually promoted the transformation from "human control" to "machine control" to further improve the level of risk management technology.

Second, listened to reports on compliance, internal control, fraud prevention, law and anti-money laundering works. The Board of Supervisors required the Compliance and Internal Control Department to further interact with the regulators, deepen the focus of work, strengthen personnel training, and embed the compliance concept and internal control culture in people's hearts; attached great importance to the fraud prevention work, paid attention to new forms and trends of fraud risk, and constructed multi-dimensional risk defense lines of institution, system and personnel.

Third, carried out special surveys on audit work and listened to the report on the audit organization structure, team building and the progress of key audit projects. The Board of Supervisors pointed out that auditing is the third line of defense against risks, and it should improve the quality of auditing work according to the standards of listed companies, continuously improve the vertical management system of auditing, promptly identify problems, rectify errors, learn from lessons and prevent problems at an early stage so as to promote compliant and steady development of the Bank, pay attention to applying auditing results, analyze and summarize common problems, and provide management with valuable comments and suggestions. According to the requirements of the Board of Supervisors, the Audit Department of the head office should regularly submit audit reports to the Board of Supervisors, including special audits of wealth management business, operating property loans, bad debts write-off and economic accountability audits of middle-level managers. The Chairman of the Board of Supervisors gave timely instructions on the important issues found in the audit and urged rectification.

### 3. Strengthen financial supervision

The Board of Supervisors attached great importance to financial management, listened to the work report of the Planning and Finance Department of the Bank to understand the organizational structure, roles and responsibilities, team mix of the Planning and Finance Department, as well as the Company's financial budget and budget execution in 2018. The Board of Supervisors requested the Planning and Finance Department to further enhance the sensitivity and predictability so as to better serve the Company's operation and management; earnestly implement preparation works for IPO, and benchmark against listed banks to improve the level of planning and financial management with higher standards; strengthen coordination and communication with the headquarters departments and branches, further strengthen refined management, and create benefits for management.

### 4. Carried out HR management survey and evaluation

The Board of Supervisors carried out human resource management survey and evaluation, fully deployed related work, and organized the HR Department, Compliance and Internal Control Department, Audit Department, Discipline Inspection and Supervision Office at the headquarters to carry out self-assessment. The Board of Supervisors investigated Hongkou Sub-branch, Jinshan Sub-branch and Qingpu Sub-branch, and interviewed the leaders of the Head Office and heads of relevant departments for opinions; formed a survey and evaluation report covering the total number and structure of human resources of the Bank, recruitment and training of fresh graduates, education and training, cadre management, performance appraisal and staff behavior management. The Board of Supervisors recognized the achievements of HR management reform in the past three years, and analyzed the existing problems in HR management. Fourteen suggestions were put forward, including optimizing HR structure, strengthening the recruitment and training of new employees, promoting the development of cadre team and strengthening the management of employees' behavior.

The Chairman and President of the Company attached great importance to the investigation reports of the Board of Supervisors, and instructed the relevant functional departments of the head office to seriously study and implement the recommendations put forward by the Board of Supervisors.

### 5. Investigated branches and sub-branches

In previous years, the Board of Supervisors mainly investigated the mid-office and back-office management departments. This year, the Board of Supervisors expanded the scope of investigation to business departments and lines of business.

First, listened to special reports on the development of trading finance business. The Board of Supervisors required to establish effective overseas cooperation platforms around key branches, key customers and key FI partners to accelerate the transformation and development of trading finance business, and expand the breadth and depth of trading finance business; optimize business management processes to provide convenient and efficient services to customers and enhance market competitiveness, maintain market sensitivity and catch business expansion opportunities in a timely manner. The Chairman of the Board of Supervisors also visited J.P. Morgan, Commerzbank AG and DBS in Shanghai to discuss the hot issues including international economic and trade relations, the construction of "Belt and Road", and the internationalization of RMB, and promoted cooperation between the Company and foreign banks to promote mutual benefit and win-win results.

Second, listened to special reports on the development of asset management business. The Board of Supervisors required the Asset Management Department to adapt to the financial reform environment, conscientiously implement the new regulations of asset management, accelerate the improvement of innovation ability and continuously expand room for business development; attach great importance to risk management and control, screen the potential risks of existing investment, solidify the front, middle and back lines of defense, improve the comprehensive risk management mechanism including credit risk, liquidity risk, reputation risk, etc. to ensure the safe, sound and compliant development of asset management business; train professional teams to provide talent support for the development of asset management business by combining internal cultivation with external talent introduction.

#### 6. Conducted surveys on branches and subsidiaries

In 2018, the Board of Supervisors conducted investigations in nine sub-branches in Huangpu, Songjiang, Kunshan, Xiangtan, Putuo, Hongkou, Yangpu, Jinshan and Qingpu to listen to reports on business operations, compliance and internal control, risk management, fraud prevention and control, and Party building etc.. The Board of Supervisors required sub-branches to optimize business structure, change traditional marketing model, and further attract customers by improving their skills, services and efficiency; strengthen the screening of existing loan customers, keep track of the changes in credit quality, strictly control financing of highly indebted enterprises, and withdraw from "zombie enterprises" in an orderly manner; further improve internal control, fraud prevention and enhance the overall ability of prevention and control; strengthen personnel training, improve team building and ensure sustainable development.

In 2018, the Board of Supervisors conducted surveys on three subsidiaries, namely Fangshan Rural Bank in Beijing, Guangming Rural Bank in Shenzhen and Yangtze United Financial Leasing Co., Ltd.. The Board of Supervisors required rural banks to carefully implement regulatory policies and the management requirements of the Bank, make full use of shareholder resources and strive for greater support in each region, strictly implement new loan approval standards, clearly understand the conditions of existing loans, take effective risk control measures, and strive to resolve risk loans; build a good development platform and corporate culture to unite people, stabilize the team and promote development. The Board of Supervisors required Yangtze United Financial Leasing Co., Ltd. to study its future development orientation and planning, adhere to the professional, special and refined development path, strive to enhance core competitiveness and market influence with high-quality service; strengthen bank-leasing cooperation, expand the proportion of local business in Shanghai, and concentrate on deepening the local market; enhance the compliance awareness of all employees, and cultivate good compliance culture.

In accordance with the relevant requirements of Shanghai Municipal Government and Shanghai SASAC, the Board of Supervisors studied and drafted relevant systems to strengthen the development of supervisory board in subsidiaries.

#### 7. Organized annual supervision evaluation

According to regulations and the Bank's Articles of Association, the Board of Supervisors carried out 2017 annual supervision and evaluation work. Carried out 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, and issued SRCB 2017 Annual Work Supervision Evaluation Report.; organized supervision and evaluation of the performance of Board of Directors, directors and Senior Management in 2017, and issued report, which was submitted to the shareholders' meeting, supervisory authorities and financial regulators.

In addition, according to relevant work requirements of Shanghai SASAC, the Board of Supervisors wrote the Report on SRCB covering the Company's operation and performance as well as the work of the Board of Supervisors in 2018, and submitted it to Shanghai SASAC.

## 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 were 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.

# 3/7 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

Related Party Transactions

Information of Shareholder Loan

Major Contracts and Their Performance

Employment and Dismissal of Accounting Firms

Information on Punishments for SRCB, SRCB Board of Directors, Board of Supervisors, and Senior Executives

Other Important Information for Public Disclosure

Change in Company Name within Reporting Period



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

During the reporting period, Rizhao Steel Holding Group Co., Ltd., the former seventh largest shareholder of the Company, transferred all 392,000,000 SRCB shares to Zhejiang Expressway Co., Ltd., which was reviewed and approved on the board meeting on May 18, 2018 to go through the procedures of share transfer and regulatory report in accordance with relevant provisions. After the above transfer, Zhejiang Expressway Co., Ltd. became the seventh largest shareholder of the Company, holding 392,000,000 SRCB shares (4.90% of the total equity).

During the reporting period, the Company issued 680 million new common shares which raised RMB 4.7396 billion. Among the original ten largest shareholders, Shanghai Guosheng Group Asset Co., Ltd. and Zhejiang Expressway Co., Ltd. participated in the subscription. Meanwhile, the Company introduced two new institutional investors—Shanghai Shendi (Group) Co., Ltd. and Shanghai Light Industry Co., Ltd for Foreign Economic & Technical Co-operation. After the capital increase, Shanghai Guosheng Group Asset Co., Ltd. became the sixth largest shareholder of the Company, holding 474,047,514 SRCB shares (5.46% of the total equity). Zhejiang Expressway Co., Ltd. became the seventh largest shareholder, holding 465,500,000 SRCB shares (5.36% of the total equity). Shanghai Shendi (Group) Co., Ltd. became the ninth largest shareholder of the Company, holding 357,700,000 SRCB shares (4.12% of total equity). Refer to "the top ten shareholders and changes" for detailed information on the top 10 shareholders.

## II. Major Litigation or Arbitration

### (I) Non-credit Litigation or Arbitration

Within the reporting period, SRCB had 9 non-credit cases in total (including the cases in which SRCB was the defendant or respondent) with an amount of about RMB 2.31 million involved. As compared to 2017, there was an increase of 1 case, and the amount involved decreased by RMB 1.69 million.

### (II) Credit Litigation or Arbitration

By the end of the reporting period, SRCB had 241 loan litigation cases closed in 2018. The amount involved for these cases was RMB 1,383,321,700. Within the reporting period, RMB 553,403,200 was recovered through litigation for the above cases.

By the end of the reporting period, SRCB had 696 outstanding loan litigation cases in 2018. The amount involved for these cases was RMB 4,869,362,100. Within the reporting period, RMB 436,629,800 was recovered through litigation for the above-mentioned loans.

See the table below for the top 10 outstanding litigation cases for 2018 (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 I & F Maocheng Property Co., Ltd.	I & F Group Co., Ltd., Ding Qinfu, Yan Yuewen	20090624	20180621	36915.10	0.00	20171226
2	Shanghai Yungfeng Group.	Shanghai Yungfeng (Group) Jinghong Economic Development Co., Ltd.	20130408	20151119	14000.00	14000.00	20151222
3	Remai (Shanghai) Medical Device Co., Ltd.	--	20110416	20150520	10000.00	0.00	20150520
4	China City Construction Holding Group Co., Ltd.	--	20121228	20170623	10000.00	0.00	20170727
5	China City Construction Holding Group Co., Ltd.	--	20121228	20170625	10000.00	0.00	20180103
6	China City Construction Holding Group Co., Ltd.	--	20121228	20180117	10000.00	0.00	20180103
7	Shanghai Gangtai Gold Co., Ltd.	Gansu Gangtai Holding (Group) Co., Ltd., Xu Jiangang, Xu Feijun	20180417	20180713	7443.00	0.00	20180821
8	China City Construction Holding Group Co., Ltd.	--	20121228	20170613	7000.00	0.00	20170727
9	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
10	Shanghai Solar New Energy Technology Co., Ltd.	--	20101122	20150619	6500.00	6500.00	20150619

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

During the reporting period, the Company basically completed the work of capital and share increase. After the capital increase, the registered capital will increase from RMB 8 billion to 8.68 billion. On December 27, 2018, all the incremental capital was in place. This change was verified by Deloitte & Touche CPAs (Special General Partnership) who issued the "Deloitte (Verification) (18) No. 00545" Capital Verification Report. The Company formed the "SRCB's Request for Increasing Registered Capital" on December 29, 2018, and submitted it to Shanghai CBIRC as required. On February 25, 2019, the Company obtained the "Shanghai CBIRC's Approval for SRCB's Change of Registered Capital" and completed the industrial and commercial changes of registered information on March 20, 2019.

### IV. Related-party Transactions

During the reporting period, the types of related-party transactions of the Bank were credit-type, service-providing and other types of related-party transactions, and no asset transfer related transactions. The related-party transactions of the Bank were conducted in accordance with general business terms and under conditions not superior to similar transactions with non-related parties. The terms of transactions were fair and reasonable.

#### (1) Credit transactions

During the reporting period, the Bank's cumulative amount of related-party credit transactions was RMB 291,610,635,000. By the end of the reporting period, balance of the Bank's related-party credit transactions was RMB 9,030,709,200. Wherein, the balance of related legal person credit extension was RMB 8,864,680,500 with 21 accounts involved. Balance of related natural person credit extension was RMB 166,028,700 with 70 accounts involved. Related credit extension was made in forms of loan, import letter of credit, bank notes, bond investment, interbank borrowing, and pledged reverse repo etc., which were classified as normal in five-category, without delinquency, advance payment or overdue interest.

#### (2) Service-providing transactions

During the reporting period, the Bank had service-type transactions with 10 related legal persons including trusted sales of insurance, employee tax premium health insurance, annuity and retirement subsidy fee management services, advertising and consulting services, with a cumulative amount of RMB 80,695,600.

#### (3) Others

During the reporting period, the Bank had other types of related-party transactions with 16 related legal persons, mainly interbank fund business. The types of transactions mainly included borrowing, bond trading, pledged repurchase, interbank borrowing, underwriting and distribution, interbank deposit and negotiable certificate of deposit, with a cumulative amount of RMB 439.763 billion.

By the end of the reporting period, the balance of SRCB's related-party credit to the largest related company, Bank of Hangzhou Co., Ltd., was RMB 1,832,399,600, accounting for 2.37% of SRCB's net capital (net capital at 2018 end was RMB 77,351,598,500), which did not exceed 10% of the Bank's net capital. The balance of SRCB's related-party credit to the largest single major shareholder and its related party, China Pacific Life Insurance Co. Ltd., was RMB 4,584,941,300, accounting for 5.93% of SRCB's net capital, which did not exceed 15% of the Bank's net capital. The total amount of related-party credit transactions with all related parties was RMB 9,030,709,200, accounting for 11.67% of SRCB's net capital, which did not exceed 50% of the Bank's net capital. All the ratios above were aligned with related regulations of Related-party Transaction Management Measure between Commercial Banks and Insiders/Shareholders, Provisional Equity Management Measures of Commercial Banks and SRCB Related-party Transaction Management Measures. The amount of single transaction of current financial market business with related financial institutions was below the limit set by the Bank's Board of Directors.

### V. Internal Transaction

Within the reporting period, the Company's internal transactions mainly included the Bank's credit granting, guarantee, FI deposit, wealth management arrangements and asset transfer etc. with affiliated institutions in consolidated statement (35 rural banks by now) and among affiliated institutions in consolidated statement.

During the reporting period, the Bank provided 2 interim liquidity facility with accumulatively RMB 90 million (excluding the RMB 5 million liquidity emergency drill) to rural banks, all were settled by year end; the Bank provided RMB 180 million short-term liquidity facility to rural banks, with a year-end balance of RMB 60 million. During the reporting period, rural banks purchased RMB 6.66 billion of the Company's wealth management products, with a balance of RMB 1.18 billion at end of the reporting period. The 5th Meeting of SRCB 3rd Board in 2017 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 35.32 million was recovered by 2018 year-end, and unrecovered NPL balance was RMB 296 million.

## 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

No.	Shareholder's Name	Loan balance	Five-level Classification	Main Guarantee Style	Business Types
1	Shanghai Minhang Real Estate Development Co., Ltd	110625	Normal	Mortgage	Property development loan, mortgage loan of operational properties
2	Shanghai Changfeng Investment Development Co., Ltd.	79433	Normal	Mortgage	Other project loan
3	Shanghai Wujiachang (Group) Co., Ltd.	65500	Normal	Mortgage/pledge	Mortgage loan of operational properties, short-term working capital loan, other project loan
4	Shanghai Shendi (Group) Co., Ltd.	21410.45	Normal	Credit	Infrastructure loan
5	Shanghai Xujiahui Mall City Co., Ltd.	15000	Normal	Credit	Short-term working capital loan
6	Shanghai Nanxiang Economic City Industrial Co., Ltd.	12000	Normal	Guarantee	Mid-term working capital loan
7	Shanghai Baolin Electric Group Co., Ltd	10050	Normal	Mortgage	Mortgage loan of operational properties
8	Shanghai Kindly Group	10000	Normal	Credit	Short-term working capital loan
9	Shanghai Liandong Economic Development Co., Ltd.	10000	Normal	Mortgage	Other project loan
10	Shanghai Shanxin Real Estate & Development Co., Ltd.	9375	Normal	Mortgage	Basic construction loan/Mortgage loan of operational properties
11	Shanghai Malu Industrial Co., Ltd.	8000	Normal	Guarantee	Mid-term working capital loan
12	Shanghai Zhenda Industrial (group) Co., Ltd.	6500	Normal	Mortgage	Other project loan
13	Shanghai Yunfei Industrial and Trade Development Co., Ltd.	5500	Normal	Mortgage	Short-term working capital loan, SME property mortgaged working capital loan
14	Shanghai Zhongyi Industrial Co., Ltd.	5000	Normal	Mortgage	Mortgage loan of operational properties
15	Shanghai Tianma Computer Embroidery Co., Ltd	4000	Normal	Mortgage	Mortgage loan of operational properties
16	Shanghai Xufang (Group) Co., Ltd.	4000	Normal	Guarantee	Short-term working capital loan
17	Shanghai Sitang Industrial Co., Ltd.	3850	Normal	Mortgage	Mortgage loan of operational properties
18	Shanghai Green Grass Down and Feather Products Co., Ltd.	3750	Normal	Mortgage	Mortgage loan of operational properties
19	Shanghai Gold Engineering Group	3500	Normal	Mortgage	Short-term working capital loan
20	Shanghai Xinjiang Industrial Co., Ltd.	3320.57	Normal	Mortgage	Mortgage loan of operational properties
21	Shanghai Sanlin Collective Asset Investment Management Co., Ltd.	3150	Normal	Mortgage	Short-term working capital loan
<b>Total</b>		<b>393964.02</b>			

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

By the end of the reporting period, the Company had zero non-performing shareholders' 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 shareholders' and related companies' 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 Bank under significant contracts entered into by the Bank 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 (Special General Partnership) 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

Within the knowledge of the Company, during the reporting period, the Company, its directors, supervisors and senior managers were not investigated by the competent authorities, taken compulsory measures against by the judicial and discipline inspection authorities, or transferred to the judicial authorities or investigated for criminal liability. They strictly abided by relevant laws, regulations, rules and normative documents of banking supervision. No penalties that had major impact on the operation of the Company.

### X. Other Important Information Necessary for Public Knowledge

#### (I) Obtainment of Business Access Qualification

In 2018, the Company obtained qualifications of core trader of credit risk mitigation instrument, foreign currency precious metal business and derivatives business pegged with precious metal.

#### (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

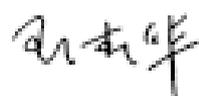
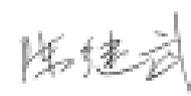
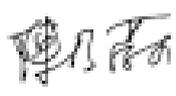
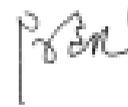
- (I) Accounting statements signed by the legal representative, bank president, and accounting department leader.
- (II) Original audit reports signed and sealed by the certified public accounting firm and the certified public accountant concerned.
- (III) Original annual report signed by the Chairman 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 2018 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 2018 Annual Work Report of SRCB:

1. SRCB runs in strict accordance with the Accounting Standards for Business Enterprises and relative system specifications. The 2018 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 2018 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 2018 annual financial statements have been audited by the Deloitte & Touche CPAs (Special General Partnership) who issued a standard unbiased auditing report.

## Signature of Directors and Senior Management

			
Xu Li	Zhou Lei	Huang Jian	Wu Kunzong
			
Zhao Ying	Wang Tayu	Ha Erman	Wang Dehua
			
Chen Shuai	Wang Kaiguo	Zhu Yuchen	Chen Jiwu
			
Sun Zheng	Chen Naiwei	Chen Kai	Mao Huigang

## Signature of Senior Management:

		
Gu Jianzhong	Li Jin	Jin Jianhua
		
Yu Minhua	Kang Jie	

Changes in Share Capital and Shareholders

Directors, Supervisors, Senior Management and Employees

Corporate Governance Structure

Introduction to Annual General Shareholders' Meeting

Report of the Board of Directors

Board of Supervisors Report

Important Matters

List of Financial Statements and Documents for Future Reference

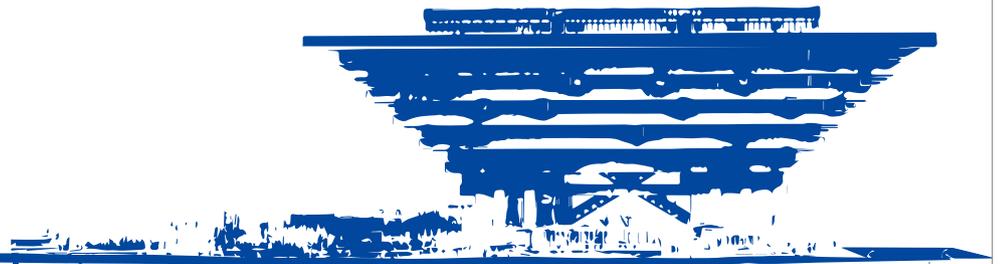


# New Achievements

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Financial Statements and Report of the Auditors

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# 4

## 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 2018

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# Auditor's Report

De Shi Bao (Shen) Zi (19) No.P02191

## 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 2018, 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 2018, 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 2018, 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, but the purpose is not to comment on the effectiveness of internal controls.
- (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, 2019

Chinese Certified  
Public Accountant  
(Engagement Partner)

Hu Xiao Jun



Chinese Certified  
Public Accountant

Su Yi Chen



## CONSOLIDATED BALANCE SHEET 31 DECEMBER 2018

(in thousands of RMB)

	Note VII	Group		Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
<b>ASSETS:</b>					
Cash and balances with central bank	1	86,490,347	96,058,800	82,792,804	91,898,866
Due from banks and other financial institutions	2	11,235,385	19,514,699	4,361,838	9,961,760
Placements with banks and other financial institutions	3	40,525,892	35,080,222	40,525,892	35,080,222
Precious Metals		161,067	131	161,067	131
Financial assets at fair value through profit or loss	4	7,264,796	2,515,427	7,264,796	2,515,427
Derivative financial assets	5	272,139	375,697	272,139	375,697
Financial assets purchased under resale agreements	6	40,636,088	26,737,512	40,636,088	26,737,512
Loans and advances to customers	7	394,034,412	361,298,257	383,513,648	349,697,860
Available-for-sale financial assets	8	104,886,280	105,214,422	104,886,280	104,541,180
Held-to-maturity investments	9	120,547,430	121,036,032	120,547,430	121,036,032
Receivables investment	10	10,543,200	12,472,235	10,543,200	12,472,235
Long-term equity investments	11	1,056,548	947,781	1,753,240	1,698,917
Fixed assets	12	5,720,253	4,586,022	5,640,244	4,499,713
Construction in progress	13	290,012	1,421,182	271,098	1,399,875
Deferred tax assets	14	3,406,866	3,090,271	3,325,114	2,995,963
Classified as available for sale assets		47	3,138	47	3,138
Other assets	15	6,641,990	11,705,771	6,413,869	11,532,766
<b>TOTAL ASSETS</b>		<b>833,712,752</b>	<b>802,057,599</b>	<b>812,908,794</b>	<b>776,447,294</b>

## The Bank's and Consolidated Balance Sheets

LIABILITIES:	Note VIII	Group		Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Borrowings from central bank		11,971,000	6,776,000	11,680,000	6,400,000
Due to banks and other financial institutions	17	4,934,243	10,502,153	10,740,183	15,512,676
Placements from banks and other financial institutions	18	21,267,300	29,415,649	21,267,300	29,415,649
Financial liabilities at fair value through profit or loss		53,154	131	53,154	131
Derivative financial liabilities	5	352,520	880,290	352,520	880,290
Financial assets sold under repurchase agreements	19	46,466,154	52,261,451	46,466,154	52,261,451
Customer deposits	20	644,907,662	609,081,222	620,739,764	581,269,852
Employee benefits payables	21	2,398,587	2,368,900	2,370,627	2,343,237
Tax payables	22	1,328,803	1,435,321	1,302,139	1,358,241
Debt securities issued	23	23,375,798	23,099,042	23,375,798	23,099,042
Contingent liabilities	24	16,021	16,021		
Other liabilities	25	11,839,905	13,204,515	11,373,554	12,814,392
<b>TOTAL LIABILITIES</b>		<b>768,911,147</b>	<b>749,040,695</b>	<b>749,721,193</b>	<b>725,354,961</b>
<b>SHAREHOLDERS' EQUITY:</b>					
Share capital	26	8,680,000	8,000,000	8,680,000	8,000,000
Capital reserve	27	9,173,692	5,111,058	9,219,974	5,111,058
Other comprehensive income	28	1,220,431	37,701	1,220,431	36,522
Surplus reserve	29	14,950,965	12,663,142	14,787,870	12,539,563
General reserve	30	9,079,315	8,197,253	8,849,095	7,988,262
Retained earnings	31	20,531,235	17,672,971	20,430,231	17,416,928
Equity attributable to shareholders of the Bank		63,635,638	51,682,125		
Non-controlling interests		1,165,967	1,334,779		
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>64,801,605</b>	<b>53,016,904</b>	<b>63,187,601</b>	<b>51,092,333</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>833,712,752</b>	<b>802,057,599</b>	<b>812,908,794</b>	<b>776,447,294</b>

The accompanying notes form part of the financial statements.

The financial statements on pages 5 to 146 were signed by the following:

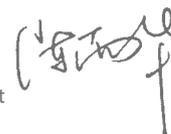
Xu Li  
Chairman



Gu Jianzhong  
President



Chen Nanhua  
Head of the  
Accounting Department



## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of RMB)

Item	Note VIII	Group		Bank	
		Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
<b>I. Operating income</b>		20,145,482	17,920,775	19,203,299	16,711,208
Net interest income	32	15,029,181	12,317,803	14,037,973	11,169,560
Interest income	32	29,890,743	27,511,131	28,739,134	26,157,909
Interest expense	32	(14,861,562)	(15,193,328)	(14,701,161)	(14,988,349)
Net fee and commission income	33	3,240,950	3,178,037	3,304,564	3,247,427
Fee and commission income	33	3,476,152	3,444,432	3,532,474	3,501,374
Fee and commission expense	33	(235,202)	(266,395)	(227,910)	(253,947)
Investment income	34	1,549,429	2,146,848	1,561,512	2,135,842
of which: share of profit of associates		108,767	322,665	108,767	322,665
Other income	35	27,650	118,165	1,692	-
Loss from changes in fair value		443,207	(674,738)	443,207	(674,738)
Exchange gain		(257,780)	712,291	(257,780)	712,291
Other operating income		27,078	28,722	26,364	28,328
Gains from disposal of assets		85,767	93,647	85,767	92,498
<b>II. Operating expenses</b>		(11,447,240)	(9,766,283)	(10,329,717)	(8,896,024)
Taxes and levies	36	(194,969)	(175,146)	(190,986)	(170,942)
General and administrative expenses	37	(6,436,540)	(6,047,252)	(6,041,754)	(5,625,397)
Impairment loss on assets	38	(4,806,479)	(3,533,312)	(4,088,213)	(3,090,113)
Other operating expense		(9,252)	(10,573)	(8,764)	(9,572)
<b>III. Operating income</b>		8,698,242	8,154,492	8,873,582	7,815,184
Non-operating income	39	46,055	258,770	44,046	255,226
Non-operating expenses	40	(18,447)	(32,664)	(14,904)	(15,024)
<b>IV. Profit before tax</b>		8,725,850	8,380,598	8,902,724	8,055,386
Income tax	41	(1,601,142)	(1,717,597)	(1,500,281)	(1,469,852)
<b>V. Net profit</b>		7,124,708	6,663,001	7,402,443	6,585,534
(I) Categorized by the continuity of operation					
1. Net profit in continued operations		7,124,708	6,663,001	7,402,443	6,585,534
2. Net profit in discontinued operations		-	-	-	-
(II) Categorized by ownership of equity					
1. Net profit attributable to owners of the Bank		7,308,149	6,769,082		
2. Profit or loss attributable to non-controlling interests		(183,441)	(106,081)		
<b>VI. Other comprehensive income, net of tax</b>	28	1,181,475	(163,099)	1,183,909	(156,518)
Other comprehensive income attributable to owners of the Bank, net of tax		1,182,730	(159,877)		
(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		19,988	(24,443)	19,988	(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		1,162,742	(135,434)	1,163,921	(132,075)
Other comprehensive income attributable to non-controlling interests, net of tax		(1,255)	(3,222)		
<b>VII. Total comprehensive income</b>		8,306,183	6,499,902	8,586,352	6,429,016
Total comprehensive income attributable to shareholders of the Bank		8,490,879	6,609,205		
Total comprehensive income/(loss) attributable to non-controlling interests		(184,696)	(109,303)		

The accompanying notes form part of the financial statements.

## BANK'S STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of RMB)

Item	Note VIII	Group		Bank	
		Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
<b>I. Cash flows from operating activities:</b>					
Net increase in customer deposits and due to banks and other financial institutions		30,258,530	33,388,026	34,697,419	35,506,162
Net decrease in balances with central bank and due from banks and other financial institutions		21,542,135	-	18,943,661	-
Net increase in financial assets sold under repurchase agreements		-	17,543,284	-	17,543,284
Net increase in borrowings from central bank		5,195,000	5,732,500	5,280,000	5,800,000
Net increase in placements from banks and other financial institutions		-	15,099,073	-	15,099,073
Interest received		23,141,576	21,704,073	22,002,828	20,365,327
Fee and commission received		3,599,050	3,560,777	3,658,929	3,621,400
Cash received relating to other operating activities		160,416	1,589,977	132,821	1,480,985
Sub-total of cash inflows		83,896,707	98,617,710	84,715,658	99,416,231
Net increase in loans and advances to customers		(37,395,867)	(36,086,549)	(37,615,191)	(38,587,277)
Net increase in balances with central bank and due from banks and other financial institutions		-	(20,064,787)	-	(14,308,412)
Net increase in financial assets purchased under resale agreements		(13,898,576)	(21,167,100)	(13,898,576)	(21,167,100)
Net decrease in assets sold under repurchase agreement		(5,795,297)	-	(5,795,297)	-
Net decrease in placements from banks and other financial institutions		(1,373,891)	-	(1,373,891)	-
Net increase in placements with banks and other financial institutions		(5,445,670)	(2,887,298)	(5,445,670)	(2,887,298)
Interest paid		(14,100,676)	(12,565,265)	(14,020,837)	(12,439,778)
Fee and commission paid		(235,202)	(266,395)	(227,910)	(253,947)
Cash payments to and on behalf of employees		(3,914,463)	(3,084,249)	(3,705,593)	(2,877,572)
Payments of various types of taxes		(3,789,666)	(3,119,525)	(3,624,441)	(2,964,030)
Cash paid relating to other operating activities		(3,240,585)	(1,699,932)	(3,055,927)	(1,536,596)
Sub-total of cash outflows		(89,189,893)	(100,941,100)	(88,763,333)	(97,022,010)
Net cash flows from operating activities	42(1)	(5,293,186)	(2,323,390)	(4,047,675)	2,394,221
<b>II. Cash flows from investing activities:</b>					
Cash received from disposal of investments		73,003,488	73,864,975	69,513,488	69,214,974
Cash received from returns on investments		7,450,824	7,291,181	7,458,790	7,280,175
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		27,478	314,262	12,328	312,038
Sub-total of cash inflows		80,481,790	81,470,418	76,984,606	76,807,187
Cash paid to acquire investments		(73,113,326)	(82,866,523)	(70,386,926)	(78,946,523)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(711,383)	(413,882)	(673,201)	(401,455)
Sub-total of cash outflows		(73,824,709)	(83,280,405)	(71,060,127)	(79,347,978)
Net cash flows from investing activities		6,657,081	(1,809,987)	5,924,479	(2,540,791)

## The Bank's and Consolidated Cash Flow Statements

Item	Note VIII	Group		Bank	
		Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
<b>III. Cash flows from financing activities:</b>					
Proceeds from debt securities issued		-	7,000,000	-	7,000,000
Net increase in interbank negotiable certificates of deposit issued		13,222,889	12,942,215	13,222,889	12,942,215
Receipts from equity securities		4,786,909	-	4,786,909	-
Sub-total of cash inflows		18,009,798	19,942,215	18,009,798	19,942,215
Repayment of debts securities issued		(12,942,215)	(15,184,457)	(12,942,215)	(15,184,455)
Cash payments for distribution of dividends		(2,769,918)	(3,115,510)	(2,739,520)	(3,088,847)
Sub-total of cash outflows		(15,712,133)	(18,299,967)	(15,681,735)	(18,273,302)
Net cash from financing activities		2,297,665	1,642,248	2,328,063	1,668,913
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		32,880	(33,006)	32,880	(33,006)
<b>V. Net increase/(decrease) in cash and cash equivalents</b>		3,694,440	(2,524,135)	4,237,747	1,489,337
Add: cash and cash equivalents at the beginning of the year		15,828,714	18,352,849	11,206,924	9,717,587
<b>VI. Cash and cash equivalents at the end of the year</b>	42(2)	19,523,154	15,828,714	15,444,671	11,206,924

The accompanying notes form part of the financial statements.

## The Bank's and Consolidated Statements of Changes in Shareholders' Equity

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of RMB)

Year ended 31 December 2018								
Item	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 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
II. Changes for the year								
1. Total Comprehensive income	-	-	1,182,730	-	-	7,308,149	(184,696)	8,306,183
2. Owner's invested capital	680,000	4,106,909	-	-	-	-	-	4,786,909
(1) Owner's invested capital	680,000	4,106,909	-	-	-	-	-	4,786,909
3. Profit distribution	-	-	-	2,287,823	882,062	(4,449,885)	(30,398)	(1,310,398)
(1) Transfer to surplus reserve	-	-	-	2,287,823	-	(2,287,823)	-	-
(2) Transfer to general reserve	-	-	-	-	882,062	(882,062)	-	-
(3) Distributions to Shareholders	-	-	-	-	-	(1,280,000)	(30,398)	(1,310,398)
4. Transfers within the owners' equity	-	-	-	-	-	-	-	-
(1) Capital transferred from capital surplus	-	-	-	-	-	-	-	-
5. Others	-	(44,275)	-	-	-	-	46,282	2,007
III. Closing balance of the year	8,680,000	9,173,692	1,220,431	14,950,965	9,079,315	20,531,235	1,165,967	64,801,605

Year ended 31 December 2017								
Item	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 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
II. Changes for the year								
1. Total Comprehensive income	-	-	(159,877)	-	-	6,769,082	(109,303)	6,499,902
2. Owner's invested capital	-	-	-	-	-	-	-	-
(1) Owner's invested capital	-	-	-	-	-	-	-	-
3. 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)
4. Transfers within the owners' equity	3,000,000	(3,000,000)	-	-	-	-	-	-
(1) Capital transferred from capital surplus	3,000,000	(3,000,000)	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-
III. 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

The accompanying notes form part of the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of RMB)

Year ended 31 December 2018							
Capital and reserves attributable to shareholders of the Bank							
Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total shareholders' equity
I. Opening balance of the year	8,000,000	5,111,058	36,522	12,539,563	7,988,262	17,416,928	51,092,333
II. Changes for the year							
1. Total Comprehensive income	-	-	1,183,909	-	-	7,402,443	8,586,352
2. Owner's invested capital	680,000	4,106,909	-	-	-	-	4,786,909
(1) Owner's invested capital	680,000	4,106,909	-	-	-	-	4,786,909
3. Profit distributions	-	-	-	2,248,307	860,833	(4,389,140)	(1,280,000)
(1) Transfer to surplus reserve	-	-	-	2,248,307	-	(2,248,307)	-
(2) Transfer to general reserve	-	-	-	-	860,833	(860,833)	-
(3) Distributions to Shareholders	-	-	-	-	-	(1,280,000)	(1,280,000)
4. Transfers within the owners' equity	-	-	-	-	-	-	-
Capital transferred from capital surplus	-	-	-	-	-	-	-
5. Others	-	2,007	-	-	-	-	2,007
III. Closing balance of the year	8,680,000	9,219,974	1,220,431	14,787,870	8,849,095	20,430,231	63,187,601

Year ended 31 December 2017							
Capital and reserves attributable to shareholders of the Bank							
Item	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. Owner's invested capital	-	-	-	-	-	-	-
(1) Owner's invested capital	-	-	-	-	-	-	-
3. 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)
4. Transfers within the owners' equity	3,000,000	(3,000,000)	-	-	-	-	-
Capital transferred from capital surplus	3,000,000	(3,000,000)	-	-	-	-	-
III. 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

The accompanying notes form part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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. It was incorporated in Shanghai, the People's Republic of China ("China") 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.

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.

The scope of the consolidated financial statements for the current year includes the village banks that have been acquired. For details, please refer to Note VII "Business Combinations and consolidated Financial Statements".

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Bank has adopted Accounting Standards for Business Enterprises (the "ASBE") issued by the Ministry of Finance (the "MOF") and become effective.

The group has evaluated the ability to continue as a going concern for 12 months since December 31, 2018, 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

2018, 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.

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.

#### **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

## Notes to the Financial Statements

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 de-recognition 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. Classified as holding for sale assets

When the group recovers its book value mainly by selling (including the exchange of non-monetary assets of a commercial nature) rather than continuing to use a non-current asset or disposal group, it is classified as holding for sale.

The non-current assets or disposal group classified as being held for sale shall meet the following conditions: (2) the sale is very likely to occur, that is, the group has made a resolution on a sale plan and obtained a firm commitment to purchase, and it is expected that the sale will be completed within one year.

The net amount after the sale expenses shall be recognized as the impairment loss of assets and recorded into the current profits and losses, and the impairment provision of the assets for sale shall be made at the same time. If the net increase of the fair value of the non-current assets held for sale after deducting the selling expenses on the subsequent balance sheet date is increased, the amount previously written down shall be restored, and the amount of the impairment loss of the assets recognized after being classified as the holding for sale shall be reversed, and the reversed amount shall be included in the current profit and loss.

Non-current assets held for sale or non-current assets in the disposal group are not depreciated or amortized and interest and other expenses on liabilities in the disposal group held for sale continue to be recognised.

## 10. Long-term equity investments

### 10.1 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.

### 10.2 Determination of investment cost

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.

### 10.3 Subsequent measurement and the recognition of profit or loss

#### 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.

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.

#### *10.4. 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.

## **11. Fixed assets**

### *11.1 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.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amounts of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

### *11.2 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:

## Notes to the Financial Statements

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	5-10	5.00	9.50-19.00
Machinery	5-10	5.00	9.50-19.00
Office equipment	5-10	5.00	9.50-19.00

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.

#### 11.4 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.

## 12. 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.

## 13. Intangible assets

### 13.1 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.

### 13.2 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.

## 14. Impairment of long-term assets

The group shall, on each balance sheet date, inspect long-term equity investments, fixed assets, projects under construction and those identified by their service life. Whether there are signs of possible impairment of intangible assets and long-term prepaid expenses. If there are signs of impairment of such assets, the estimated recoverable amount. For intangible assets with uncertain service life and intangible assets that have not yet reached the serviceable state, impairment tests shall be conducted every year regardless of whether there are signs of impairment.

The estimated recoverable amount of an asset is based on a single asset. If it is difficult to estimate the recoverable amount of a single asset. The recoverable amount of the asset group is determined based on the asset group to which the asset belongs. The recoverable amount shall be assets or groups of assets. The higher of the net fair value minus the disposal expenses and the present value of the expected future cash flows.

If the recoverable amount of an asset is less than its carrying amount, the difference between the amount and the carrying amount shall be used as the provision for impairment of the asset and recorded into the current profits and losses.

Once the impairment losses of the aforesaid assets are recognized, they shall not be reversed in subsequent accounting periods.

## 15. 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.

## 16. Employee Benefits

### 16.1 Accounting treatment of short-term compensation

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.

#### 16.2 Accounting treatment of post-service benefits

Post-service benefits are classified into defined contribution plan and defined benefit plan.

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.

For the defined benefit plan, the group will assign the welfare obligations generated by the defined benefit plan to the period during which the employee provides services according to the formula determined by the expected cumulative welfare unit law, and record them into the current profit and loss or related asset costs. The employee compensation costs arising from the defined benefit plan are divided into the following components:

- Service costs (including current service costs, past service costs and settlement gains and losses);
- The net interest on the net liabilities or net assets of the benefit plan (including the interest income on the assets of the plan, the interest expense on the defined benefit plan and the interest affected by the asset ceiling); As well as
- Remeasure changes in net liabilities or net assets of defined benefit plans.

Service costs and net interest on net liabilities or net assets of the defined benefit plan are included in the current profits and losses. To measure set benefit plans changes produced by net debt or equity (including actuarial gains or losses, return on assets deducted is included in the set to benefit plan net debt or equity interest in the net amount, the influence of asset limit changes deduction is included in the set to benefit plan net debt or equity interest in the net amount) included in other comprehensive income.

The deficit or surplus resulting from the present value minus the fair value of the assets of a defined benefit plan is recognized as a net liability or net asset of a defined benefit plan. If there is a surplus in the defined benefit plan, the net assets of the defined benefit plan shall be measured as the lower of the surplus and the asset ceiling of the defined benefit plan.

#### 16.3 Accounting treatment of dismiss benefits

Where the group provides dismiss welfare to the employee, the compensation liability arising from the dismiss welfare shall be recognized as early as possible by either of the following and shall

be included into the current profits and losses: when the group cannot unilaterally withdraw the dismiss welfare provided due to the termination of labor relationship plan or reduction proposal; When the group confirms the costs or expenses related to the restructuring related to the payment of severance benefits.

## 17. Assets transferred under repurchase agreements

### 17.1 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.

### 17.2 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.

## 18. 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.

## 19. 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.

## 20. Fee and commission income

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

## 21. 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.

## 22. Current and deferred income tax

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

### 22.1 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.

### 22.2 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.

### 22.3 The offset of income tax

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.

## 23. Entrusted and agency services

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.

## 24. 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.

### 24.1 *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.

### 24.2 *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.

## 25. Capital for debt payment

Capital for debt payment are recognised as their fair value on initial recognition. At the balance sheet date, capital for debt payment 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 capital for debt payment and its book value are recognised in non-operating income or expenses.

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

## 26. Format of financial statements

Starting from the preparation of the financial statements for 2018, the Group shall implement the notice on the revision and issuance of the format of the general financial statements for 2018 issued by the ministry of finance on June 15, 2018 (Cai Kuai (2018) NO. 15, hereinafter referred to as "Cai Kuai NO. 15"). Cai Kuai NO. 15 revised the items listed in the balance sheet and the income statement, revised the items listed in the "other receivables" and "other payables" Banks, reduced the "interest receivable" and "interest payable" Banks, and adjusted the position of the items listed in the income statement. The annual data of the financial statements have been presented according to Cai Kuai NO. 15.

## 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 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

## Notes to the Financial Statements

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.

## VI. TAXATION

### 1. Major categories of taxes and tax rates

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

Note 1: The bank is a general value-added tax taxpayer, except Kunshan branch applicable value-added tax rate of 3%, the main value-added tax taxable income applicable tax rate of 6%.

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 2: The corporate income tax rate applicable to the bank is 25%.

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%, valid until December 31, 2020.

Note 3: Except Jiashan branch and Xiangtan branch, the applicable urban maintenance and construction tax rate is 5%, and the applicable urban maintenance and construction tax rate is 7%.

The Bank holding the Chongming village Banks apply urban maintenance and construction tax rate is 1%, the bank holding company of Shenzhen, Ningxiang, Lianyuan, Liling, HuaiYin, Changqing, Taian, Linqing, Rizhao, Liaocheng, Gejiu, Baoshan, Mengzi, Mile, Ruili, Lincang, Kaiyuan, Ala and other 18 village Banks apply urban maintenance and construction tax rate is 7%, the bank holding the other 16 village Banks apply urban maintenance and construction tax rate is 5%.

Note 4: Education surcharge applicable to the Group is 3%.

Note 5: During the period from January 1, 2017 to June 30, 2018, local education surcharge is 2%; According to a notice from the Shanghai taxation bureau of the state administration of taxation, as of July 1, 2018, the tax rate for local education surcharges applicable to the bank's Jiashan branch, Xiangtan branch and Kunshan branch will be 2%, and that for the rest will be 1%.

Local education surcharge applicable to the village banks controlled by the bank is 2%.

## VII. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

### 1. Information of subsidiaries

#### 1.1 Subsidiaries established

Full name of the subsidiary	Registration location	Nature of business	Registered Capital	Share of equity interest of the Bank (%)	Voting right percentage of the Bank (%)
Shanghai Chongming Yangtze River Town Bank Co., Ltd. <sup>(Note1)</sup>	Shanghai	Financial Industry	105,260	48.45	50.10
Shandong Huaiyin Village Bank Co., Ltd.	Shandong	Financial Industry	50,000	51.00	51.00
Shandong Jinan Changqing County Village Bank Co., Ltd.	Shandong	Financial Industry	50,000	51.00	51.00
Shandong Ningyang County Village Bank Co., Ltd. <sup>(Note3)</sup>	Shandong	Financial Industry	65,490	62.59	62.59
Shandong Dongping County Village Bank Co., Ltd.	Shandong	Financial Industry	50,000	51.00	51.00
Shandong Linqing County Village Bank Co., Ltd.	Shandong	Financial Industry	50,000	51.00	51.00
Shandong Liao City Village Bank Co., Ltd.	Shandong	Financial Industry	50,000	51.00	51.00
Shandong Liao City Chiping District Village Bank Co., Ltd.	Shandong	Financial Industry	50,000	51.00	51.00
Shandong Liao City Yanggu District Village Bank Co., Ltd.	Shandong	Financial Industry	50,000	51.00	51.00
Shandong Rizhao Economic Development District Village Bank Co., Ltd. <sup>(Notes)</sup>	Shandong	Financial Industry	77,270	68.29	68.29
Shandong Taian County Village Bank Co., Ltd. <sup>(Note3)</sup>	Shandong	Financial Industry	100,840	75.70	75.70
Hunan Ningxiang County Village Bank Co., Ltd.	Hunan	Financial Industry	100,000	51.00	51.00
Hunan Shuangfeng Village Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Lianyuan County Village Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Liling County Village Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Shimen Shanghai Village Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Cili Shanghai Village Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Li County Shanghai Billage Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Linli Shanghai Village Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Yongxing Shanghai Village Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Guiyang Shanghai Village Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Hengyang Shanghai Village Bank Co., Ltd.	Hunan	Financial Industry	50,000	51.00	51.00
Hunan Changsha Xingsha Shanghai Village Bank Co., Ltd.	Hunan	Financial Industry	100,000	51.00	51.00
Yunnan Ruili City Village Bank Co., Ltd.	Yunnan	Financial Industry	50,000	51.00	51.00
Yunnan Kaiyuan County Village Bank Co., Ltd.	Yunnan	Financial Industry	50,000	51.00	51.00
Yunnan Baoshan City Longyang District Village Bank Co., Ltd.	Yunnan	Financial Industry	50,000	51.00	51.00
Yunnan Mengzi County Village Bank Co., Ltd.	Yunnan	Financial Industry	50,000	51.00	51.00
Yunnan Gejiu County Village Bank Co., Ltd.	Yunnan	Financial Industry	50,000	51.00	51.00
Yunnan Jianshui County Viullage Bank Co., Ltd.	Yunnan	Financial Industry	50,000	51.00	51.00
Yunnan Lincang City Linxiang District Village Bank Co., Ltd.	Yunnan	Financial Industry	50,000	51.00	51.00
Yunnan Mile County Village Bank Co., Ltd.	Yunnan	Financial Industry	50,000	51.00	51.00
Yunnan Songming Shanghai Village Bank Co., Ltd.	Yunnan	Financial Industry	50,000	51.00	51.00
Yunnan Kunming Economic Development District Ala Shanghai Village Bank Co., Ltd.	Yunnan	Financial Industry	100,000	51.00	51.00
Shenzhen Guangming Shanghai Village BankCo., Ltd. <sup>(Note2)</sup>	Shenzhen	Financial Industry	200,000	41.65	51.65
Beijing Fangshan Shanghai Village Bank Co., Ltd.	Beijing	Financial Industry	100,000	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.

Note 3: According to "China banking regulatory commission Shanghai banking regulatory bureau's approval of the capital increase from Shanghai Rural Commercial Bank to three Shanghai Rural Commercial Village Banks in Shandong Province", as of March 30, 2018, the Ningyang, Rizhao and Taian County Village Bank Co., Ltd. have received the bank paid in monetary form of the new registered capital (paid-in capital), respectively, 15.49 million, 27.27 million and 50.84 million. After the change of registered capital (paid-in capital), the shareholding ratio of the bank to the three village Banks is 62.59%, 68.29% and 75.70% respectively.

## VIII. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

### 1. Cash and balances with central bank

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Cash on hand	1,598,222	1,484,308	1,515,516	1,391,802
Statutory deposit reserves with central bank	72,573,830	86,468,412	70,312,224	84,016,680
Excess reserves with central bank	12,254,628	7,975,928	10,907,151	6,416,994
Others	63,667	130,152	57,913	73,390
<b>Total</b>	<b>86,490,347</b>	<b>96,058,800</b>	<b>82,792,804</b>	<b>91,898,866</b>

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 2018, the Bank's reserve ratio for customer deposits denominated in RMB is 12% (31 December 2017: 15%); the Bank's and subsidiaries' reserve ratio for deposits denominated in foreign currencies is 5% (31 December 2017: 5%). The subsidiaries' reserve ratio for customer deposits denominated in RMB is 8% or 9% (31 December 2017: 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 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Deposits with domestic financial institutions	10,730,694	18,971,451	3,857,147	9,418,512
Deposits with overseas financial institutions	506,945	545,430	506,945	545,430
<b>Total</b>	<b>11,237,639</b>	<b>19,516,881</b>	<b>4,364,092</b>	<b>9,963,942</b>
Less: Impairment allowances for deposits with other financial institutions	(2,254)	(2,182)	(2,254)	(2,182)
<b>Carrying amounts</b>	<b>11,235,385</b>	<b>19,514,699</b>	<b>4,361,838</b>	<b>9,961,760</b>

### 3. Placements with financial institutions

Item	Group and Bank	
	As at 31 December 2018	As at 31 December 2017
Placements with domestic banks	5,393,511	5,669,252
Placements with overseas banks	295,117	280,970
Placements with other domestic financial institutions	34,837,264	29,130,000
<b>Total</b>	<b>40,525,892</b>	<b>35,080,222</b>

### 4. Financial assets at fair value through profit or loss

Item	Group and Bank	
	As at 31 December 2018	As at 31 December 2017
Interbank negotiable certificates of deposit	4,991,241	1,909,547
Corporate bonds	1,087,782	269,274
Financial institution bonds	1,185,773	336,606
<b>Total</b>	<b>7,264,796</b>	<b>2,515,427</b>

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 2018			As at 31 December 2017		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives	21,344,268	85,619	(151,239)	41,595,842	262,765	(755,159)
Interest rate derivatives	37,450,000	140,611	(135,588)	36,820,000	92,836	(90,445)
Precious metal derivatives	3,617,206	45,909	(65,693)	2,383,127	20,096	(34,686)
<b>Total</b>	<b>62,411,474</b>	<b>272,139</b>	<b>(352,520)</b>	<b>80,798,969</b>	<b>375,697</b>	<b>(880,290)</b>

## 6. Financial assets purchased under resale agreement

Item	Group and Bank	
	As at 31 December 2018	As at 31 December 2017
Securities	40,636,088	26,737,512

## 7. Loans and advances to customers

### (1) Analysis by types

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
<b>Individual loans and advances to customers</b>				
- Individual mortgage loans	90,791,878	83,759,436	87,238,258	82,028,551
- Individual business loans	5,597,705	5,854,031	2,920,242	1,972,219
- Individual consumption loans	3,998,363	2,368,833	3,442,606	1,936,423
- Credit cards	6,477,941	6,275,846	6,477,941	6,275,846
- Others	198,219	255,327	5,672	59,521
<b>Sub-total</b>	<b>107,064,106</b>	<b>98,513,473</b>	<b>100,084,719</b>	<b>92,272,560</b>
<b>Corporate loans and advances to customers</b>				
- Loans	238,379,671	222,592,829	233,317,075	215,984,664
- Discounted bills	64,463,404	52,537,275	64,463,404	52,537,275
<b>Sub-total</b>	<b>302,843,075</b>	<b>275,130,104</b>	<b>297,780,479</b>	<b>268,521,939</b>
<b>Total</b>	<b>409,907,181</b>	<b>373,643,577</b>	<b>397,865,198</b>	<b>360,794,499</b>
Less: Allowance for impairment losses	(15,872,769)	(12,345,320)	(14,351,550)	(11,096,639)
Including: individually assessed	(2,248,044)	(2,393,315)	(1,872,431)	(1,879,229)
collectively assessed	(13,624,725)	(9,952,005)	(12,479,119)	(9,217,410)
Carrying amounts	394,034,412	361,298,257	383,513,648	349,697,860

## Notes to the Financial Statements

## (2) Analysis by industry sectors

Industry sector	Group			
	As at 31 December 2018	Proportion (%)	As at 31 December 2017	Proportion (%)
Real estate	82,725,101	20.18	70,378,979	18.84
Rental and commercial services	51,549,446	12.58	49,625,971	13.28
Manufacturing	39,393,051	9.61	39,889,320	10.68
Wholesale and retail	16,273,816	3.97	16,756,989	4.48
Transportation, storage and postal service	10,872,778	2.65	10,753,301	2.88
Construction	9,406,719	2.29	10,693,154	2.86
Hotel and restaurant	2,522,454	0.62	2,424,877	0.65
Farming, forest, herd and fishery	2,509,796	0.61	3,994,970	1.07
Water environmental and public utilities	946,478	0.23	909,509	0.24
Residential and other services	643,284	0.16	1,324,719	0.35
Others	21,536,748	5.25	15,841,040	4.24
Discount bills	64,463,404	15.73	52,537,275	14.06
<b>Corporate loans sub-total</b>	<b>302,843,075</b>	<b>73.88</b>	<b>275,130,104</b>	<b>73.63</b>
<b>Individual loans sub-total</b>	<b>107,064,106</b>	<b>26.12</b>	<b>98,513,473</b>	<b>26.37</b>
Total	409,907,181	100.00	373,643,577	100.00
Less: Allowance for impairment losses	(15,872,769)		(12,345,320)	
Including: individually assessed	(2,248,044)		(2,393,315)	
collectively assessed	(13,624,725)		(9,952,005)	
Carrying amounts	394,034,412		361,298,257	

Industry sector	Bank			
	As at 31 December 2018	Proportion (%)	As at 31 December 2017	Proportion (%)
Real estate	82,716,601	20.79	70,360,959	19.50
Rental and commercial services	51,276,467	12.89	49,309,679	13.67
Manufacturing	37,813,436	9.50	37,871,184	10.50
Wholesale and retail	15,118,445	3.80	15,250,789	4.23
Transportation, storage and postal service	10,747,359	2.70	10,579,891	2.93
Construction	8,893,909	2.24	10,082,919	2.79
Hotel and restaurant	2,426,050	0.61	2,330,778	0.65
Farming, forest, herd and fishery	1,669,058	0.42	2,858,960	0.79
Water environmental and public utilities	822,494	0.21	738,719	0.20
Residential and other services	615,038	0.15	1,272,771	0.35
Others	21,218,218	5.33	15,328,015	4.26
Discount bills	64,463,404	16.20	52,537,275	14.56
<b>Corporate loans sub-total</b>	<b>297,780,479</b>	<b>74.84</b>	<b>268,521,939</b>	<b>74.43</b>
<b>Individual loans sub-total</b>	<b>100,084,719</b>	<b>25.16</b>	<b>92,272,560</b>	<b>25.57</b>
Total	397,865,198	100.00	360,794,499	100.00
Less: Allowance for impairment losses	(14,351,550)		(11,096,639)	
Including: individually assessed	(1,872,431)		(1,879,229)	
collectively assessed	(12,479,119)		(9,217,410)	
Carrying amounts	383,513,648		349,697,860	

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 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Unsecured	38,141,814	32,756,642	38,103,452	32,662,466
Guaranteed	48,281,737	52,160,031	44,867,763	47,654,406
<b>Collateral</b>				
Including: Mortgage	240,617,217	219,045,521	232,171,038	210,981,316
Pledge	82,866,413	69,681,383	82,722,945	69,496,311
<b>Total</b>	<b>409,907,181</b>	<b>373,643,577</b>	<b>397,865,198</b>	<b>360,794,499</b>
Less: Allowance for impairment losses	(15,872,769)	(12,345,320)	(14,351,550)	(11,096,639)
Including: individually assessed	(2,248,044)	(2,393,315)	(1,872,431)	(1,879,229)
collectively assessed	(13,624,725)	(9,952,005)	(12,479,119)	(9,217,410)
Carrying amounts	394,034,412	361,298,257	383,513,648	349,697,860

(4) Overdue loans

Item	Group				
	As at 31 December 2018				
	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	36,680	104,700	40,072	79,452	260,904
Guaranteed	174,208	407,954	796,372	203,022	1,581,556
<b>Collateral</b>					
Including: Mortgage	714,269	1,350,855	795,012	720,201	3,580,337
Pledge	-	-	1,000	5,998	6,998
<b>Total</b>	<b>925,157</b>	<b>1,863,509</b>	<b>1,632,456</b>	<b>1,008,673</b>	<b>5,429,795</b>

Item	Group				
	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	Total
Unsecured	30,147	20,645	102,431	11,864	165,087
Guaranteed	358,533	625,601	719,967	30,435	1,734,536
<b>Collateral</b>					
Including: Mortgage	642,885	635,267	1,811,106	837,861	3,927,119
Pledge	7,248	1,422	7,060	-	15,730
<b>Total</b>	<b>1,038,813</b>	<b>1,282,935</b>	<b>2,640,564</b>	<b>880,160</b>	<b>5,842,472</b>

Item	Bank				
	As at 31 December 2018				
	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	35,966	103,923	35,113	79,070	254,072
Guaranteed	25,660	181,754	675,640	198,227	1,081,281
<b>Collateral</b>					
Including: Mortgage	586,386	1,159,445	650,649	701,245	3,097,725
Pledge	-	-	1,000	5,998	6,998
<b>Total</b>	<b>648,012</b>	<b>1,445,122</b>	<b>1,362,402</b>	<b>984,540</b>	<b>4,440,076</b>

## Notes to the Financial Statements

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	28,713	16,482	95,191	11,864	152,250
Guaranteed	251,178	434,150	519,984	27,621	1,232,933
<b>Collateral</b>					
Including: Mortgage	521,503	363,200	1,539,642	829,182	3,253,527
Pledge	-	-	6,998	-	6,998
<b>Total</b>	801,394	813,832	2,161,815	868,667	4,645,708

## (5) Allowance for impairment losses

Group						
Item	Year ended 31 December 2018			Year ended 31 December 2017		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
As at 1 January	2,393,315	9,952,005	12,345,320	1,806,796	7,863,890	9,670,686
Charge for the year	1,123,503	3,672,250	4,795,753	1,295,173	2,087,795	3,382,968
Recovery of loans previously written off <sup>(Note)</sup>	126,392	470	126,862	139,946	320	140,266
Write-offs	(1,226,366)	-	(1,226,366)	(684,294)	-	(684,294)
Unwinding of discount	(168,800)	-	(168,800)	(164,306)	-	(164,306)
<b>As at 31 December</b>	2,248,044	13,624,725	15,872,769	2,393,315	9,952,005	12,345,320

Bank						
Item	Year ended 31 December 2018			Year ended 31 December 2017		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
As at 1 January	1,879,229	9,217,410	11,096,639	1,523,367	7,175,026	8,698,393
Charge for the year	674,275	3,261,239	3,935,514	585,514	2,042,064	2,627,578
Recovery of loans previously written off <sup>(Note)</sup>	83,373	470	83,843	138,821	320	139,141
Transfer in (VIII, 16)				268,130	-	268,130
Write-offs	(628,336)	-	(628,336)	(506,452)	-	(506,452)
Unwinding of discount	(136,110)	-	(136,110)	(130,151)	-	(130,151)
<b>As at 31 December</b>	1,872,431	12,479,119	14,351,550	1,879,229	9,217,410	11,096,639

Note: In 2005, the PBOC issued special bills to the Bank in exchange for certain non-performing assets of the Bank. The Group derecognised these non-performing assets with total contractual value of RMB 2,120,914 thousand. 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. The repayment proceeds received by the Bank was reclassified as allowance for assets impairment. The Bank recorded RMB470 thousand and RMB320 thousand in 2017 in allowance for loan impairment.

## 8. Available-for-sale financial assets

### (1) Available-for-sale financial assets

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
<b>Available-for-sale debt instruments</b>				
- Bonds				
Government bonds	12,141,812	8,636,743	12,141,812	8,636,743
Financial institution bonds	25,865,220	18,948,823	25,865,220	18,948,823
Corporate bonds	16,141,468	10,293,877	16,141,468	10,293,877
Interbank negotiable certificates of deposit	4,649,067	6,686,203	4,649,067	6,686,203
Asset-backed securities	353,804	81,243	353,804	81,243
<b>Available-for-sale equity instruments</b>				
- Equity instruments at fair value	922,714	1,998,689	922,714	1,998,689
- Equity instruments at cost	11,500	11,500	11,500	11,500
<b>Available-for-sale other instruments</b>				
- Wealth management products issued by other banks	11,611,142	30,835,554	11,611,142	30,835,554
- Trust and asset management plans	14,484,285	15,193,593	14,484,285	14,520,351
- Securities investment funds	19,024,374	13,082,339	19,024,374	13,082,339
<b>Total</b>	<b>105,205,386</b>	<b>105,768,564</b>	<b>105,205,386</b>	<b>105,095,322</b>
Less: allowance for impairment of available-for-sale financial assets	(319,106)	(554,142)	(319,106)	(554,142)
<b>Carrying amounts</b>	<b>104,886,280</b>	<b>105,214,422</b>	<b>104,886,280</b>	<b>104,541,180</b>

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

Item	Group			
	As at 31 December 2018			
	Available-for-sale equity instruments	Available-for-sale debt instruments	Available-for-sale other instruments	Total
Cost/Amortised cost	804,255	58,305,208	44,444,549	103,554,012
Fair value	673,608	59,081,371	45,119,801	104,874,780
Changes in fair value through other comprehensive income	118,459	846,163	675,252	1,639,874
Allowance for impairment	(249,106)	(70,000)	-	(319,106)

Item	Group			
	As at 31 December 2017			
	Available-for-sale equity instruments	Available-for-sale debt instruments	Available-for-sale other instruments	Total
Cost/Amortised cost	1,313,592	45,561,918	58,790,331	105,665,841
Fair value	1,514,547	44,576,889	59,111,486	105,202,922
Changes in fair value through other comprehensive income	685,097	(915,029)	321,155	91,223
Allowance for impairment	(484,142)	(70,000)	-	(554,142)

Item	Bank			
	As at 31 December 2018			
	Available-for-sale equity instruments	Available-for-sale debt instruments	Available-for-sale other instruments	Total
Cost/Amortised cost	804,255	58,305,208	44,444,549	103,554,012
Fair value	673,608	59,081,371	45,119,801	104,874,780
Changes in fair value through other comprehensive income	118,459	846,163	675,252	1,639,874
Allowance for impairment	(249,106)	(70,000)	-	(319,106)

## Notes to the Financial Statements

Item	Bank			
	As at 31 December 2017			
	Available-for-sale equity instruments	Available-for-sale debt instruments	Available-for-sale other instruments	Total
Cost/Amortised cost	1,313,592	45,561,918	58,120,333	104,995,843
Fair value	1,514,547	44,576,889	58,438,244	104,529,680
Changes in fair value through other comprehensive income	685,097	(915,029)	317,911	87,979
Allowance for impairment	(484,142)	(70,000)	-	(554,142)

## (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.

## 9. Held-to-maturity investments

Item	Group and Bank	
	As at 31 December 2018	As at 31 December 2017
Government bonds	57,124,411	56,055,036
Financial institution bonds	54,546,471	45,224,108
Corporate bonds	6,856,523	5,147,076
Interbank negotiable certificates of deposit	199,393	11,944,167
Asset-backed security	1,841,260	2,686,282
Total	120,568,058	121,056,669
Less: allowance for impairment	(20,628)	(20,637)
Carrying amounts	120,547,430	121,036,032

## 10. Receivables investment 10. 应收款项类投资

Item	Group and Bank	
	As at 31 December 2018	As at 31 December 2017
Government bonds	96,870	124,727
Trust and asset management plans	10,589,295	12,490,473
Total	10,686,165	12,615,200
Less: allowance for impairment	(142,965)	(142,965)
Carrying amounts	10,543,200	12,472,235

## 11. Long-term equity investments

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Subsidiaries (Note VII)			1,171,400	1,077,800
Associates	1,061,721	952,954	1,061,721	952,954
Total			2,233,121	2,030,754
Less: allowance for impairment <sup>(Note)</sup>	(5,173)	(5,173)	(479,881)	(331,837)
Carrying amounts	1,056,548	947,781	1,753,240	1,698,917

Note: on December 31, 2018, the impairment provision of long-term equity investment assets includes the total amount of RMB 474,708 thousand for the impairment provision of the bank's investment in some subsidiaries(31 December 2017: RMB 326,664 thousand).

(1) Associates

Investments in associates are listed as follows:

Group and Bank								
Name	Accounting method	Initial investment cost	As at 1 January 2018	Increase/ (Decrease) during the year	As at 31 December 2018	Percentage of shares Held (%)	Percentage of voting rate (%)	Allowance for impairment
Shanghai Jingyi Industry Development Co., Ltd.	Equity method	367,000	5,173	-	5,173	18.874	18.874	(5,173)
Yangtze United Financial Leasing Co., Ltd.	Equity method	300,000	947,781	108,767	1,056,548	40.00	40.00	-
<b>Total</b>		<b>667,000</b>	<b>952,954</b>	<b>108,767</b>	<b>1,061,721</b>			<b>(5,173)</b>

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	-
<b>Total</b>		<b>667,000</b>	<b>907,992</b>	<b>44,962</b>	<b>952,954</b>			<b>(5,173)</b>

12. Fixed assets

Group						
Item	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	Total
<b>Cost</b>						
As at 1 January 2018	6,373,870	95,875	1,669,183	432,825	78,180	8,649,933
Additions	15,265	7,628	105,956	14,918	2,138	145,905
Transfer in from CIP	1,934,333	-	75,325	11,615	4,389	2,025,662
Disposals	(15,765)	(8,988)	(79,029)	(11,805)	(2,754)	(118,341)
As at 31 December 2018	8,307,703	94,515	1,771,435	447,553	81,953	10,703,159
<b>Accumulated depreciation</b>						
As at 1 January 2018	(2,275,529)	(78,307)	(1,368,639)	(286,892)	(54,544)	(4,063,911)
Charge for the year	(381,447)	(5,405)	(111,920)	(38,677)	(7,177)	(544,626)
Disposals	13,878	8,567	75,196	11,193	2,598	111,432
As at 31 December 2018	(2,643,098)	(75,145)	(1,405,363)	(314,376)	(59,123)	(4,497,105)
<b>Impairment</b>						
As at 1 January 2018	-	-	-	-	-	-
Charge for the year	(485,801)	-	-	-	-	(485,801)
As at 31 December 2018	(485,801)	-	-	-	-	(485,801)
<b>Net Value</b>						
As at 1 January 2018	4,098,341	17,568	300,544	145,933	23,636	4,586,022
As at 31 December 2018	5,178,804	19,370	366,072	133,177	22,830	5,720,253

## Notes to the Financial Statements

Group						
Item	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	Total
<b>Cost</b>						
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
<b>Accumulated depreciation</b>						
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)
<b>Net Value</b>						
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

Bank						
Item	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	Total
<b>Cost</b>						
As at 1 January 2018	6,271,695	73,988	1,628,204	401,948	62,536	8,438,371
Additions	15,265	7,628	103,829	13,923	1,443	142,088
Transfer in from CIP	1,934,333	-	75,325	8,785	4,389	2,022,832
Disposals	(15,765)	(8,988)	(78,945)	(11,289)	(2,501)	(117,488)
As at 31 December 2018	8,205,528	72,628	1,728,413	413,367	65,867	10,485,803
<b>Accumulated depreciation</b>						
As at 1 January 2018	(2,238,920)	(58,038)	(1,338,215)	(260,684)	(42,801)	(3,938,658)
Charge for the year	(377,166)	(5,177)	(107,688)	(35,965)	(5,810)	(531,806)
Disposals	13,879	8,567	75,127	10,756	2,377	110,706
As at 31 December 2018	(2,602,207)	(54,648)	(1,370,776)	(285,893)	(46,234)	(4,359,758)
<b>Impairment</b>						
As at 1 January 2018	-	-	-	-	-	-
Charge for the year	(485,801)	-	-	-	-	(485,801)
As at 31 December 2018	(485,801)	-	-	-	-	(485,801)
<b>Net Value</b>						
As at 1 January 2018	4,032,775	15,950	289,989	141,264	19,735	4,499,713
As at 31 December 2018	5,117,520	17,980	357,637	127,474	19,633	5,640,244

## Notes to the Financial Statements

Item	Bank					Total
	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	
<b>Cost</b>						
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
<b>Accumulated depreciation</b>						
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)
<b>Net Value</b>						
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

## 13. Construction in progress

## (1) Details of construction in progress

Item	Group					
	As at 31 December 2018			As at 31 December 2017		
	Book value	Allowance for impairment	Carrying amounts	Book value	Allowance for impairment	Carrying amounts
Business premises of Fengxian branch	133,333	-	133,333			
Business premises of Yingzhong branch	35,902	-	35,902	35,837	-	35,837
Zhangjiang business processing centre	30,553	-	30,553	12,966	-	12,966
Business premises of Hunan Shuangfeng Village Bank	14,583	-	14,583	14,548	-	14,548
Business premises of Zhuanghang branch	10,286	-	10,286			
Business premises of North Xizang Road branch	356	-	356	17,112	-	17,112
Renovation of the head office building				1,743,901	(485,801)	1,258,100
Business premises of Gong Road branch				14,527	-	14,527
Others	64,999	-	64,999	68,092	-	68,092
<b>Total</b>	<b>290,012</b>	<b>-</b>	<b>290,012</b>	<b>1,906,983</b>	<b>(485,801)</b>	<b>1,421,182</b>

Item	Bank					
	As at 31 December 2018			As at 31 December 2017		
	Book value	Allowance for impairment	Carrying amounts	Book value	Allowance for impairment	Carrying amounts
Business premises of Fengxian branch	133,333	-	133,333			
Business premises of Yingzhong branch	35,902	-	35,902	35,837	-	35,837
Zhangjiang business processing centre	30,553	-	30,553	12,966	-	12,966
Business premises of Zhuanghang branch	10,286	-	10,286			
Business premises of North Xizang Road branch	356	-	356	17,112	-	17,112
Renovation of the head office building				1,743,901	(485,801)	1,258,100
Business premises of Gong Road branch				14,527	-	14,527
Others	60,668	-	60,668	61,333	-	61,333
<b>Total</b>	<b>271,098</b>	<b>-</b>	<b>271,098</b>	<b>1,885,676</b>	<b>(485,801)</b>	<b>1,399,875</b>

## Notes to the Financial Statements

## (2) Movement of construction in progress

Item	Group			Total
	Building	Electronic and machinery	Others	
As at 1 January 2018	1,732,015	64,620	110,348	1,906,983
Additions	421,670	31,398	66,504	519,572
Transfer to fixed assets	(1,934,333)	(86,940)	(4,389)	(2,025,662)
Transfer to other assets	(15,034)	-	(95,847)	(110,881)
As at 31 December 2018	204,318	9,078	76,616	290,012
Less: allowance for impairment	-	-	-	-
Net value	204,318	9,078	76,616	290,012

Item	Group			Total
	Building	Electronic and machinery	Others	
As at 1 January 2017	2,502,654	68,534	159,572	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	1,732,015	64,620	110,348	1,906,983
Less: allowance for impairment	(485,801)	-	-	(485,801)
Net value	1,246,214	64,620	110,348	1,421,182

Item	Bank			Total
	Building	Electronic and machinery	Others	
As at 1 January 2018	1,711,643	63,685	110,348	1,885,676
Additions	408,180	29,417	66,504	504,101
Transfer to fixed assets	(1,934,333)	(84,110)	(4,389)	(2,022,832)
Transfer to other assets	-	-	(95,847)	(95,847)
As at 31 December 2018	185,490	8,992	76,616	271,098
Less: allowance for impairment	-	-	-	-
Net value	185,490	8,992	76,616	271,098

Item	Bank			Total
	Building	Electronic and machinery	Others	
As at 1 January 2017	2,487,318	68,448	159,572	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	1,711,643	63,685	110,348	1,885,676
Less: allowance for impairment	(485,801)	-	-	(485,801)
Net value	1,225,842	63,685	110,348	1,399,875

## 14. 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 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Allowances for impairment losses	13,448,497	10,566,759	3,360,463	2,634,659
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	68,062	511,269	17,016	127,817
Others	1,757,741	1,402,990	439,356	350,600
<b>Total</b>	<b>15,274,300</b>	<b>12,481,018</b>	<b>3,816,835</b>	<b>3,113,076</b>

Item	Group			
	Deductible temporary differences		Deferred tax assets	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	-	-	-	-
Changes in fair value of available-for-sale financial assets	(1,639,874)	(91,223)	(409,969)	(22,805)
<b>Total</b>	<b>(1,639,874)</b>	<b>(91,223)</b>	<b>(409,969)</b>	<b>(22,805)</b>

Item	Bank			
	Deductible temporary differences		Deferred tax assets	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Allowances for impairment losses	13,140,588	10,165,996	3,285,147	2,541,499
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	68,062	511,269	17,016	127,817
Others	1,731,681	1,394,567	432,920	348,642
<b>Total</b>	<b>14,940,331</b>	<b>12,071,832</b>	<b>3,735,083</b>	<b>3,017,958</b>

Item	Bank			
	Deductible temporary differences		Deferred tax assets	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	-	-	-	-
Changes in fair value of available-for-sale financial assets	(1,639,874)	(87,979)	(409,969)	(21,995)
<b>Total</b>	<b>(1,639,874)</b>	<b>(87,979)</b>	<b>(409,969)</b>	<b>(21,995)</b>

## Notes to the Financial Statements

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

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Deferred tax assets	3,406,866	3,090,271	3,325,114	2,995,963
Deferred tax liabilities	-	-	-	-
<b>Total</b>	<b>3,406,866</b>	<b>3,090,271</b>	<b>3,325,114</b>	<b>2,995,963</b>

## 15. Other assets

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Amounts pending for settlement	346,136	6,774,457	343,287	6,774,457
Other receivables and prepayments (1)	235,023	161,288	194,288	131,913
Foreclosed asset (2)	34,740	2,704	-	724
Long-term prepaid expenses (3)	151,556	160,038	88,847	101,157
Intangible assets(4)	880,557	914,282	879,582	913,596
Interest receivables(5)	4,993,978	3,693,002	4,907,865	3,610,919
<b>Total</b>	<b>6,641,990</b>	<b>11,705,771</b>	<b>6,413,869</b>	<b>11,532,766</b>

## (1) Other receivables and prepayments

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Intra-city bills under collection	29,264	13,970	29,264	13,970
Prepaid legal expenses	47,703	44,817	36,255	33,441
Rental deposits	16,203	16,236	14,719	14,217
Other receivables	141,853	86,265	114,050	70,285
<b>Total</b>	<b>235,023</b>	<b>161,288</b>	<b>194,288</b>	<b>131,913</b>

Note: Aging analysis of other receivables

Aging	Group				Bank			
	As at 31 December 2018	Percentage (%)	As at 31 December 2017	Percentage (%)	As at 31 December 2018	Percentage (%)	As at 31 December 2017	Percentage (%)
Within 1 year	166,229	92.62	103,611	87.99	129,607	90.72	80,355	85.04
1 to 2 years	3,382	1.88	8,904	7.56	3,382	2.37	8,904	9.42
2 to 3 years	5,323	2.97	921	0.78	5,323	3.73	921	0.97
Above 3 years	4,541	2.53	4,316	3.67	4,541	3.18	4,316	4.57
<b>Total</b>	<b>179,475</b>	<b>100.00</b>	<b>117,752</b>	<b>100.00</b>	<b>142,853</b>	<b>100.00</b>	<b>94,496</b>	<b>100.00</b>
Less: allowance for doubtful accounts	(37,622)		(31,487)		(28,803)		(24,211)	
<b>Net value</b>	<b>141,853</b>		<b>86,265</b>		<b>114,050</b>		<b>70,285</b>	

(2) Capital for debt payment

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Land use rights	-	-	-	-
Buildings	34,740	1,980	-	-
Machinery	-	-	-	-
Others	-	4,921	-	4,921
Total	34,740	6,901	-	4,921
Less: allowance for impairment	-	(4,197)	-	(4,197)
Net value	34,740	2,704	-	724

(3) Long-term prepaid expenses

Item	Year ended 31 December 2018							
	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	128,915	41,356	43,440	126,831	75,045	24,113	31,087	68,071
Prepaid rental expenses	10,539	742	5,429	5,852	6,545	175	3,583	3,137
Network construction expenses	2,432	503	967	1,967	2,300	503	912	1,891
Others	18,152	904	2,150	16,906	17,267	241	1,760	15,748
<b>Total</b>	<b>160,038</b>	<b>43,505</b>	<b>51,986</b>	<b>151,556</b>	<b>101,157</b>	<b>25,032</b>	<b>37,342</b>	<b>88,847</b>

Item	Year ended 31 December 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
<b>Total</b>	<b>186,558</b>	<b>36,841</b>	<b>63,361</b>	<b>160,038</b>	<b>107,762</b>	<b>34,547</b>	<b>41,152</b>	<b>101,157</b>

(4) Intangible assets

Item	Group			Bank		
	Land use right	Software and others	Total	Land use right	Software and others	Total
<b>Cost</b>						
As at 1 January 2018	584,281	730,652	1,314,933	584,281	729,640	1,313,921
Additions	-	54,282	54,282	-	53,862	53,862
Disposals	(10,941)	-	(10,941)	(10,941)	-	(10,941)
As at 31 December 2018	573,340	784,934	1,358,274	573,340	783,502	1,356,842
<b>Accumulated amortisation</b>						
As at 1 January 2018	(70,380)	(330,271)	(400,651)	(70,380)	(329,945)	(400,325)
Charge of the year	(13,821)	(64,507)	(78,328)	(13,821)	(64,376)	(78,197)
Disposals	1,262	-	1,262	1,262	-	1,262
As at 31 December 2018	(82,939)	(394,778)	(477,717)	(82,939)	(394,321)	(477,260)
<b>Net value</b>						
As at 1 January 2018	513,901	400,381	914,282	513,901	399,695	913,596
As at 31 December 2018	490,401	390,156	880,557	490,401	389,181	879,582

## Notes to the Financial Statements

Item	Group			Bank		
	Land use right	Software and others	Total	Land use right	Software and others	Total
<b>Cost</b>						
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
<b>Accumulated amortisation</b>						
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)
<b>Net value</b>						
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

## (5) Interest receivables

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Financial assets at fair value through profit or loss	129,766	20,101	129,766	20,101
Held-to-maturity investments	2,151,321	1,826,778	2,151,321	1,826,778
Loans and advances to customers	599,355	597,539	571,843	568,010
Available-for-sale financial assets	1,152,863	868,480	1,152,863	868,480
Receivables investment	38,445	32,901	38,325	32,901
Balances and placements with banks and other financial institutions	791,618	211,008	733,137	158,508
Others	130,610	136,195	130,610	136,141
<b>Total</b>	<b>4,993,978</b>	<b>3,693,002</b>	<b>4,907,865</b>	<b>3,610,919</b>

## 16. Allowance for assets impairment

Item	Group						
	2018						
	Opening balance	Charge of the year/(reverse)	Transfer in	Transfer out	Write-offs	Recovery of loans previously written off	Closing balance
Due from banks and other financial institutions	2,182	72	-	-	-	-	2,254
Loans and advances to customers	12,345,320	4,795,753	-	(168,800)	(1,226,366)	126,862	15,872,769
Available-for-sale financial assets	554,142	-	-	(235,036)	-	-	319,106
Held-to-maturity investment	20,637	(9)	-	-	-	-	20,628
Receivables investment	142,965	-	-	-	-	-	142,965
Long-term equity investments	5,173	-	-	-	-	-	5,173
Other receivables	31,487	10,663	-	-	(5,452)	924	37,622
Fixed assets	-	-	485,801	-	-	-	485,801
Construction in progress	485,801	-	-	(485,801)	-	-	-
Capital for debt payment	4,197	-	-	(4,197)	-	-	-
<b>Total</b>	<b>13,591,904</b>	<b>4,806,479</b>	<b>485,801</b>	<b>(893,834)</b>	<b>(1,231,818)</b>	<b>127,786</b>	<b>16,886,318</b>

Item	Group						Closing balance
	2017	Opening balance	Charge of the year/(reverse)	Transfer in	Transfer out	Write-offs	
Due from banks and other financial institutions	-	2,182	-	-	-	-	2,182
Loans and advances to customers	9,670,686	3,382,968	-	(164,306)	(684,294)	140,266	12,345,320
Available-for-sale financial assets	975,847	68,000	-	(489,705)	-	-	554,142
Held-to-maturity investment	-	20,637	-	-	-	-	20,637
Receivables investment	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
Capital for debt payment	23,407	-	-	(19,210)	-	-	4,197
<b>Total</b>	<b>11,344,177</b>	<b>3,533,312</b>	<b>-</b>	<b>(734,360)</b>	<b>(691,491)</b>	<b>140,266</b>	<b>13,591,904</b>

Item	Bank						
	Year ended 31 December 2018						
	Opening balance	Charge/(reverse) of the year	Transfer in	Transfer out	Write-offs	Recovery of loans previously written off	Closing balance
Due from banks and other financial institution	2,182	72	-	-	-	-	2,254
Loans and advances to customers <sup>(Note)</sup>	11,096,639	3,935,514	-	(136,110)	(628,336)	83,843	14,351,550
Available-for-sale financial assets	554,142	-	-	(235,036)	-	-	319,106
Held-to-maturity investment	20,637	(9)	-	-	-	-	20,628
Receivables investment	142,965	-	-	-	-	-	142,965
Long-term equity investments	331,837	148,044	-	-	-	-	479,881
Other receivables	24,211	4,592	-	-	-	-	28,803
Fixed assets	-	-	485,801	-	-	-	485,801
Construction in progress	485,801	-	-	(485,801)	-	-	-
Capital for debt payment	4,197	-	-	(4,197)	-	-	-
<b>Total</b>	<b>12,662,611</b>	<b>4,088,213</b>	<b>485,801</b>	<b>(861,144)</b>	<b>(628,336)</b>	<b>83,843</b>	<b>15,830,988</b>

Item	Bank						
	Year ended 31 December 2017						
	Opening balance	Charge/(reverse) of the year	Transfer in	Transfer out	Write-offs	Recovery of loans previously written off	Closing balance
Due from banks and other financial institutions	-	2,182	-	-	-	-	2,182
Loans and advances to customers <sup>(Note)</sup>	8,698,393	2,627,578	268,130	(130,151)	(506,452)	139,141	11,096,639
Available-for-sale financial assets	975,847	68,000	-	(489,705)	-	-	554,142
Held-to-maturity investment	-	20,637	-	-	-	-	20,637
Receivables investment	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
Capital for debt payment	23,407	-	-	(19,210)	-	-	4,197
<b>Total</b>	<b>10,371,884</b>	<b>3,090,113</b>	<b>268,130</b>	<b>(700,205)</b>	<b>(506,452)</b>	<b>139,141</b>	<b>12,662,611</b>

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.

## Notes to the Financial Statements

## 17. Due to banks and other financial institutions

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Deposits from domestic banks	4,638,597	8,506,484	10,444,537	13,517,007
Deposits from other domestic financial institutions	295,646	1,995,669	295,646	1,995,669
<b>Total</b>	<b>4,934,243</b>	<b>10,502,153</b>	<b>10,740,183</b>	<b>15,512,676</b>

## 18. Placements from banks and other financial institutions

Item	Group and Bank	
	As at 31 December 2018	As at 31 December 2017
Placements from domestic banks	18,179,895	26,281,874
Placements from overseas banks	3,087,405	3,133,775
<b>Total</b>	<b>21,267,300</b>	<b>29,415,649</b>

## 19. Assets sold under repurchase agreement

Item	Group and Bank	
	As at 31 December 2018	As at 31 December 2017
Securities	33,744,882	44,494,473
Bills	12,721,272	7,766,978
<b>Total</b>	<b>46,466,154</b>	<b>52,261,451</b>

## 20. Customer deposits

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
<b>Demand deposits</b>				
Corporate	215,778,734	220,146,737	205,340,252	206,657,061
Individual	50,259,781	45,986,411	47,692,638	43,147,928
<b>Time deposits</b>				
Corporate	100,746,041	92,462,749	97,664,776	88,561,481
Individual	238,206,777	212,638,265	230,486,151	205,432,161
Pledged deposits held as collateral	5,494,054	7,915,100	5,138,930	7,577,481
Other deposits	34,422,275	29,931,960	34,417,017	29,893,740
<b>Total</b>	<b>644,907,662</b>	<b>609,081,222</b>	<b>620,739,764</b>	<b>581,269,852</b>

## 21. Employee benefits payables

(1) Employee benefits payables are listed as follows:

Item	Group							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	2,293,240	3,351,400	3,263,624	2,381,016	1,639,057	3,269,235	2,615,052	2,293,240
Post-employment benefits - defined contribution plan	289	492,803	492,775	317	151	467,820	467,682	289
Defined benefit plan	75,371	99,947	158,064	17,254	52,443	24,443	1,515	75,371
<b>Total</b>	<b>2,368,900</b>	<b>3,944,150</b>	<b>3,914,463</b>	<b>2,398,587</b>	<b>1,691,651</b>	<b>3,761,498</b>	<b>3,084,249</b>	<b>2,368,900</b>

Item	Bank							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	2,267,866	3,159,471	3,073,964	2,353,373	1,618,832	3,075,090	2,426,056	2,267,866
Post-employment benefits - defined contribution plan	-	473,565	473,565	-	-	450,001	450,001	-
Defined benefit plan	75,371	99,947	158,064	17,254	52,443	24,443	1,515	75,371
<b>Total</b>	<b>2,343,237</b>	<b>3,732,983</b>	<b>3,705,593</b>	<b>2,370,627</b>	<b>1,671,275</b>	<b>3,549,534</b>	<b>2,877,572</b>	<b>2,343,237</b>

(2) Short-term salary

Item	Group							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	2,293,043	2,841,348	2,753,485	2,380,906	1,638,904	2,798,487	2,144,348	2,293,043
Employee services and benefits	-	104,578	104,578	-	-	92,535	92,535	-
Social insurance	184	172,805	172,924	65	43	165,449	165,308	184
Of which: Medical insurance	179	148,033	148,152	60	38	139,428	139,287	179
Work-related injury insurance	1	2,401	2,401	1	2	3,023	3,024	1
Maternity insurance	4	14,180	14,180	4	3	13,067	13,066	4
Others	-	8,191	8,191	-	-	9,931	9,931	-
Housing funds	13	171,478	171,446	45	110	158,792	158,889	13
Labour union fee and staff education expenses	-	61,191	61,191	-	-	53,972	53,972	-
<b>Total</b>	<b>2,293,240</b>	<b>3,351,400</b>	<b>3,263,624</b>	<b>2,381,016</b>	<b>1,639,057</b>	<b>3,269,235</b>	<b>2,615,052</b>	<b>2,293,240</b>

## Notes to the Financial Statements

Item	Bank							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	2,267,736	2,690,253	2,604,616	2,353,373	1,618,832	2,641,919	1,993,015	2,267,736
Employee services and benefits	-	91,083	91,083	-	-	80,138	80,138	-
Social insurance	130	162,248	162,378	-	-	156,801	156,671	130
Of which: Medical insurance	130	138,845	138,975	-	-	131,881	131,751	130
Work-related injury insurance	-	1,969	1,969	-	-	2,574	2,574	-
Maternity insurance	-	13,243	13,243	-	-	12,415	12,415	-
Others	-	8,191	8,191	-	-	9,931	9,931	-
Housing funds	-	158,106	158,106	-	-	146,039	146,039	-
Labour union fee and staff education expenses	-	57,781	57,781	-	-	50,193	50,193	-
<b>Total</b>	<b>2,267,866</b>	<b>3,159,471</b>	<b>3,073,964</b>	<b>2,353,373</b>	<b>1,618,832</b>	<b>3,075,090</b>	<b>2,426,056</b>	<b>2,267,866</b>

## (3) Defined contribution plan

Item	Group							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	284	485,560	485,530	314	142	459,593	459,451	284
Unemployment insurance	5	7,243	7,245	3	9	8,227	8,231	5
<b>Total</b>	<b>289</b>	<b>492,803</b>	<b>492,775</b>	<b>317</b>	<b>151</b>	<b>467,820</b>	<b>467,682</b>	<b>289</b>

Item	Bank							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	-	466,907	466,907	-	-	443,168	443,168	-
Unemployment insurance	-	6,658	6,658	-	-	6,833	6,833	-
<b>Total</b>	<b>-</b>	<b>473,565</b>	<b>473,565</b>	<b>-</b>	<b>-</b>	<b>450,001</b>	<b>450,001</b>	<b>-</b>

## (4) 设定受益计划

Item	Group							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	75,371	99,947	158,064	17,254	52,443	24,443	1,515	75,371

## Notes to the Financial Statements

Item	Bank							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	75,371	99,947	158,064	17,254	52,443	24,443	1,515	75,371

## 22. Taxes payable

Item	Group							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	1,115,233	2,304,901	2,442,011	978,123	705,213	2,370,466	1,960,446	1,115,233
Individual income tax	32,428	448,483	444,967	35,944	119,887	559,006	646,465	32,428
Value-added tax	257,128	1,166,191	1,139,916	283,403	202,279	1,043,572	988,723	257,128
Surcharges	30,382	132,824	131,977	31,229	25,582	124,239	119,439	30,382
Property tax	17	53,945	53,945	17	17	35,623	35,623	17
Land use tax	1	1,967	1,967	1	1	1,988	1,988	1
Vehicle and vessel use tax	-	224	224	-	-	225	225	-
Others	132	19,580	19,626	86	520	12,693	13,081	132
<b>Total</b>	<b>1,435,321</b>	<b>4,128,115</b>	<b>4,234,633</b>	<b>1,328,803</b>	<b>1,053,499</b>	<b>4,147,812</b>	<b>3,765,990</b>	<b>1,435,321</b>

Item	Bank							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	1,047,189	2,217,406	2,306,185	958,410	673,634	2,214,330	1,840,775	1,047,189
Individual income tax	30,662	436,866	432,262	35,266	118,580	547,481	635,399	30,662
Value-added tax	250,647	1,141,771	1,114,636	277,782	193,400	1,014,675	957,428	250,647
Surcharges	29,743	130,584	129,646	30,681	25,041	121,129	116,427	29,743
Property tax	-	53,022	53,022	-	-	35,017	35,017	-
Land use tax	-	1,952	1,952	-	-	1,980	1,980	-
Vehicle and vessel use tax	-	171	171	-	-	173	173	-
Others	-	18,829	18,829	-	-	12,230	12,230	-
<b>Total</b>	<b>1,358,241</b>	<b>4,000,601</b>	<b>4,056,703</b>	<b>1,302,139</b>	<b>1,010,655</b>	<b>3,947,015</b>	<b>3,599,429</b>	<b>1,358,241</b>

## 23. Debt securities issued

Item	Group and Bank	
	As at 31 December 2018	As at 31 December 2017
Financial debt <sup>(Note 1)</sup>	10,000,000	10,000,000
Interbank negotiable certificates of deposit <sup>(Note 2)</sup>	13,375,798	13,099,042
<b>Total</b>	<b>23,375,798</b>	<b>23,099,042</b>

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 3.05% to 4.97%.

## Notes to the Financial Statements

## 24. Contingent liabilities

Item	Group	
	As at 31 December 2018	As at 31 December 2017
Pending litigation	16,021	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 X.1 for details.

## 25. Other liabilities

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Interest payables (1)	11,178,359	11,873,076	10,732,074	11,507,351
For settlement and transfer payments	317,222	979,889	308,656	963,281
Others	344,324	351,550	332,824	343,760
<b>Total</b>	<b>11,839,905</b>	<b>13,204,515</b>	<b>11,373,554</b>	<b>12,814,392</b>

## (1) Interest payables

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Customer deposits, banks and other financial institutions	10,637,674	11,303,586	10,191,724	10,939,233
Debt securities issued	271,108	270,389	271,108	270,389
Others	269,577	299,101	269,242	297,729
<b>Total</b>	<b>11,178,359</b>	<b>11,873,076</b>	<b>10,732,074</b>	<b>11,507,351</b>

## 26. Share capital

Name of shareholders	As at 31 December 2017		Increase during the year	Increase during the year	As at 31 December 2018	
	Amount invested	Percentage (%)			Amount invested	Percentage (%)
Shanghai State-owned Assets management Co., Ltd.	800,000	10.00	-	-	800,000	9.22
China Ocean Shipping Group Co. Ltd.	800,000	10.00	-	-	800,000	9.22
Baoshan Iron & Steel Co., Ltd.	800,000	10.00	-	-	800,000	9.22
China Pacific Life Insurance Co., Ltd.	560,000	7.00	-	-	560,000	6.45
Shanghai International (Group) Co., Ltd.	481,474	6.02	-	-	481,474	5.55
Shenzhen Lenovo Science and Technology Park Co., Ltd.	458,486	5.73	-	-	458,486	5.28
Shanghai Guosheng Group Co., Ltd.	357,678	4.47	116,370	-	474,048	5.46
Zhejiang Expressway Co., Ltd.	-	-	465,500	-	465,500	5.36
Others	3,742,362	46.78	490,130	392,000	3,840,492	44.24
<b>Total</b>	<b>8,000,000</b>	<b>100.00</b>	<b>1,072,000</b>	<b>392,000</b>	<b>8,680,000</b>	<b>100.00</b>

Note: In December 2018, the Shanghai State-owned Assets Supervision and Administration Commission on approving Shanghai Rural Commercial Bank's non-public agreement to increase capital (SASAC Property Rights [2018] No. 341), Bank of China Insurance Supervision and Administration Commission Shanghai Regulatory Authority on approving Shanghai Rural Commercial Bank's directional share offering plan and approving the relevant shareholder qualifications (HuYinBaoJian (Chou)Fu [2018] No. 52) and China Securities Regulatory Commission on approving Shanghai Rural Commercial Bank Reply of the Company's Direct Issuance of Stocks (Zheng Jian [2018] No. 2014), issued by the Deloitte Touche Tohmatsu Certified Public Accountants, the Capital Verification Report (De Shi Bao(Yan) (18) No. 00545 ), the Bank received Shanghai Shendi (Group) Co., Ltd., Shanghai Guosheng Group Asset Co., Ltd., Zhejiang Expressway Co., Ltd., Shanghai Light Industry Foreign Economic and Technical Cooperation Co., Ltd., Shanghai Shanxin Real Estate Co., Ltd., Oriental International (Group) Co., Ltd., Shanghai Weilong Enterprise Co., Ltd., Shanghai Shunmai Trading Co., Ltd. and Shanghai Social Welfare Development Co., Ltd. The total amount of funds paid by these shareholders was RMB 4,739,600,000.00, which was included in the share capital of RMB 680,000,000.00, which was included in the capital reserve of RMB 4,059,600,000.00. The registered capital of the Bank increased from RMB 8,000,000,000.00 to RMB 8,680,000,000.00.

## 27. Capital reserve

Item	Group							
	2018				2017			
	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 <sup>(Note)</sup>	5,110,992	4,108,916	(46,282)	9,173,626	8,110,992	-	(3,000,000)	5,110,992
Others	66	-	-	66	66	-	-	66
<b>Total</b>	<b>5,111,058</b>	<b>4,108,916</b>	<b>(46,282)</b>	<b>9,173,692</b>	<b>8,111,058</b>	<b>-</b>	<b>(3,000,000)</b>	<b>5,111,058</b>

Item	Bank							
	2018				2017			
	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 <sup>(Note)</sup>	5,110,992	4,108,916	-	9,219,908	8,110,992	-	(3,000,000)	5,110,992
Others	66	-	-	66	66	-	-	66
<b>Total</b>	<b>5,111,058</b>	<b>4,108,916</b>	<b>-</b>	<b>9,219,974</b>	<b>8,111,058</b>	<b>-</b>	<b>(3,000,000)</b>	<b>5,111,058</b>

Note: In 2018, the bank will increase its capital reserve by RMB 8,680,000 thousand due to capital increase. Please refer to Note VIII 26 for details. The difference between the consideration paid by the bank to the capital increase of the three controlling village banks and the change in the equity of minority shareholders is RMB 46,282 thousand, and the capital reserve is written down.

In 2017, the reduction of the bank's capital reserve is the capital reserve of the bank transferred to the increased share capital, please refer to Note VIII 26 for details.

## 28. Other comprehensive income

### (1) Items in other comprehensive income

Item	Group					
	Year ended 31 December 2018			Year ended 31 December 2017		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
I. Other comprehensive income items which will not be reclassified to profit and loss						
Changes in remeasurement of defined benefit plan	26,651	(6,663)	19,988	(32,591)	8,148	(24,443)
II. Other comprehensive income items which will be reclassified subsequently to profit or loss						
Changes in fair value of available-for-sale financial assets	1,548,651	(387,164)	1,161,487	(184,876)	46,220	(138,656)
<b>Total</b>	<b>1,575,302</b>	<b>(393,827)</b>	<b>1,181,475</b>	<b>(217,467)</b>	<b>54,368</b>	<b>(163,099)</b>
Of which: Other comprehensive income attributable to the Bank's shareholders	1,576,975	(394,245)	1,182,730	(213,171)	53,294	(159,877)
Other comprehensive income attributable to non-controlling interests	(1,673)	418	(1,255)	(4,296)	1,074	(3,222)

## Notes to the Financial Statements

Item	Bank					
	Year ended 31 December 2018			Year ended 31 December 2017		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
I. Other comprehensive income items which will not be reclassified to profit and loss						
Changes in remeasurement of defined benefit plan	26,651	(6,663)	19,988	(32,591)	8,148	(24,443)
II. Other comprehensive income items which will be reclassified subsequently to profit or loss						
Changes in fair value of available-for-sale financial assets	1,551,895	(387,974)	1,163,921	(176,100)	44,025	(132,075)
<b>Total</b>	<b>1,578,546</b>	<b>(394,637)</b>	<b>1,183,909</b>	<b>(208,691)</b>	<b>52,173</b>	<b>(156,518)</b>

*(2) Movement of other comprehensive income*

Item	Group							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	(29,462)	19,988	-	(9,474)	(5,019)	(24,443)	-	(29,462)
Changes in fair value of available-for-sale financial assets	68,418	1,161,487	-	1,229,905	207,074	(138,656)	-	68,418
<b>Total</b>	<b>38,956</b>	<b>1,181,475</b>	<b>-</b>	<b>1,220,431</b>	<b>202,055</b>	<b>(163,099)</b>	<b>-</b>	<b>38,956</b>
Of which: Other comprehensive income attributable to the Bank's shareholders	37,701	1,182,730	-	1,220,431	197,578	(159,877)	-	37,701
Other comprehensive income attributable to non-controlling interests	1,255	(1,255)	-	-	4,477	(3,222)	-	1,255

Item	Bank							
	Year ended 31 December 2018				Year ended 31 December 2017			
	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	(29,462)	19,988	-	(9,474)	(5,019)	(24,443)	-	(29,462)
Changes in fair value of available-for-sale financial assets	65,984	1,163,921	-	1,229,905	198,059	(132,075)	-	65,984
<b>Total</b>	<b>36,522</b>	<b>1,183,909</b>	<b>-</b>	<b>1,220,431</b>	<b>193,040</b>	<b>(156,518)</b>	<b>-</b>	<b>36,522</b>

## 29. Surplus reserve

Item	Group							
	Year ended 31 December 2018				Year ended 31 December 2017			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory reserve	3,891,247	668,931	-	4,560,178	3,287,206	604,041	-	3,891,247
Discretionary reserve	8,771,895	1,618,892	-	10,390,787	7,420,258	1,351,637	-	8,771,895
<b>Total</b>	<b>12,663,142</b>	<b>2,287,823</b>	<b>-</b>	<b>14,950,965</b>	<b>10,707,464</b>	<b>1,955,678</b>	<b>-</b>	<b>12,663,142</b>

Item	Bank							
	Year ended 31 December 2018				Year ended 31 December 2017			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory reserve	3,812,937	658,553	-	4,471,490	3,227,961	584,976	-	3,812,937
Discretionary reserve	8,726,626	1,589,754	-	10,316,380	7,395,360	1,331,266	-	8,726,626
<b>Total</b>	<b>12,539,563</b>	<b>2,248,307</b>	<b>-</b>	<b>14,787,870</b>	<b>10,623,321</b>	<b>1,916,242</b>	<b>-</b>	<b>12,539,563</b>

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 27 April 2018, the Bank appropriated 10% of net profit of 2017, amounting to RMB 658,553 thousand for the year 2018 (2017: RMB584,976 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 27 April 2018, the Bank appropriated, RMB1,589,754 thousand as discretionary reserve (2017: RMB1,331,266 thousand).

## 30. General Reserve

Item	Group							
	Year ended 31 December 2018				Year ended 31 December 2017			
	Opening balance	Increase during the year	Decrease during the year	As at 31 December 2018	Opening balance	Increase during the year	Decrease during the year	Closing balance
General Reserve	8,197,253	882,062	-	9,079,315	6,527,967	1,669,286	-	8,197,253

Item	Bank							
	Year ended 31 December 2018				Year ended 31 December 2017			
	Opening balance	Increase during the year	Decrease during the year	As at 31 December 2018	Opening balance	Increase during the year	Decrease during the year	Closing balance
General Reserve	7,988,262	860,833	-	8,849,095	6,356,583	1,631,679	-	7,988,262

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.

## Notes to the Financial Statements

## 31. Retained earnings

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Opening balance	17,672,971	15,678,853	17,416,928	15,529,315
Add: Net profit attributable to the Bank's shareholders	7,308,149	6,769,082	7,402,443	6,585,534
Less: Appropriation to statutory reserve	668,931	604,041	658,553	584,976
Appropriation to discretionary reserve	1,618,892	1,351,637	1,589,754	1,331,266
Appropriation to general reserve	882,062	1,669,286	860,833	1,631,679
Dividends paid	1,280,000	1,150,000	1,280,000	1,150,000
Closing balance	20,531,235	17,672,971	20,430,231	17,416,928

In accordance with the resolution at the Board of Directors' meeting dated on 28 March 2019 and general meeting of shareholders dated on 27 April 2018, based on the total shares of 8,000,000,000 common shares as at December 31, 2017, the Bank declares a cash dividend in the amount of RMB 1,280,000 thousand of RMB 1.60 for every 10 common shares(2017: RMB1,150,000 thousand).

In accordance with the resolution at the Board of Directors' meeting dated on 28 March 2019, the directors proposed the following appropriations to the Bank's net profit of 2018.

In accordance with the 2018 annual after-tax profit legal statements, the Bank made statutory reserve of RMB 740,244 thousand, made discretionary reserve of RMB 1,932,312 thousand and made general reserve of RMB 366,859 thousand. The Bank distributed cash dividend of RMB1.85 (included tax) per common stock, with a total of RMB 1,480,000 thousand (included tax). The total common equity participating in dividends is based on 8,000,000,000 shares. The 680,000,000 shares increased in December 2018 will be calculated as dividends from the next month, and will not participate in the dividend distribution in the year of 2018. The plan is subject to a final review by the annual general meeting.

## 32. Net interest income

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
<b>Interest income</b>				
- Due from banks and other financial institutions	434,062	615,333	136,542	259,142
- Deposits with central bank	1,318,391	1,390,851	1,277,183	1,347,938
- Placement with other banks and financial assets purchased under resale agreement	2,982,394	2,694,590	2,982,394	2,694,590
- Loans and advances to customers				
of which: corporate loans and advances	10,866,306	10,008,734	10,465,362	9,504,325
individual loans	4,336,716	4,039,729	3,924,779	3,590,084
discount bills	2,902,145	2,457,660	2,902,145	2,457,596
- Investment securities and others	7,050,729	6,304,234	7,050,729	6,304,234
<b>Sub-total</b>	<b>29,890,743</b>	<b>27,511,131</b>	<b>28,739,134</b>	<b>26,157,909</b>
<b>Interest expense</b>				
- Borrowings from central bank	(249,376)	(107,324)	(242,783)	(97,324)
- Due to banks and other financial institutions	(50,768)	(505,401)	(295,689)	(703,456)
- Placements from banks and other financial institutions and assets sold under repurchase agreement	(2,407,493)	(2,200,763)	(2,407,493)	(2,200,763)
- Customer deposits	(10,452,423)	(10,113,372)	(10,053,694)	(9,720,338)
- Debt securities issued	(1,456,322)	(2,215,699)	(1,456,322)	(2,215,699)
- Others	(245,180)	(50,769)	(245,180)	(50,769)
<b>Sub-total</b>	<b>(14,861,562)</b>	<b>(15,193,328)</b>	<b>(14,701,161)</b>	<b>(14,988,349)</b>
Net interest income	15,029,181	12,317,803	14,037,973	11,169,560
Of which: unwinding of discount	168,800	164,306	136,110	130,151

### 33. Net fee and commission income

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
<b>Fee and commission income</b>				
Agency services	1,527,039	1,600,854	1,522,591	1,596,699
Bank card services	664,213	635,536	664,165	635,437
Consultancy and advisory services	481,278	355,146	481,219	355,088
Electronic banking services	437,929	490,308	437,673	490,147
Settlement and clearing services	258,679	214,121	258,543	213,956
Guarantee and commitment services	20,027	32,124	20,025	32,102
Asset trusteeship	1,124	1,020	1,124	1,020
Others	85,863	115,323	147,134	176,925
<b>Sub-total</b>	<b>3,476,152</b>	<b>3,444,432</b>	<b>3,532,474</b>	<b>3,501,374</b>
<b>Fee and commission expense</b>				
Fund collecting commissioning services	(83,364)	(83,952)	(77,512)	(76,378)
Settlement and clearing services	(66,912)	(62,561)	(66,912)	(62,561)
Others	(84,926)	(119,882)	(83,486)	(115,008)
<b>Sub-total</b>	<b>(235,202)</b>	<b>(266,395)</b>	<b>(227,910)</b>	<b>(253,947)</b>
<b>Net fee and commission income</b>	<b>3,240,950</b>	<b>3,178,037</b>	<b>3,304,564</b>	<b>3,247,427</b>

### 34. Investment income

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Financial asset at fair value through profit or loss and derivative instruments	(406,939)	(567,283)	(406,939)	(567,283)
Available-for-sale financial assets	1,829,733	2,353,626	1,810,833	2,315,335
Receivables investment	35,547	66,977	35,547	66,977
Long-term equity investment recognised by equity method	108,767	106,101	108,767	106,101
Long-term equity investment recognised by cost method			30,983	27,285
Capital reduction of Long-term equity investments	-	216,563	-	216,563
Precious metals	(17,679)	(29,136)	(17,679)	(29,136)
<b>Total</b>	<b>1,549,429</b>	<b>2,146,848</b>	<b>1,561,512</b>	<b>2,135,842</b>

### 35. Other income

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Government grants	27,650	118,165	1,692	-

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.

### 36. Taxes and levies

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Urban construction tax and education surcharge	132,824	124,239	130,584	121,229
Others	62,145	50,907	60,402	49,713
<b>Total</b>	<b>194,969</b>	<b>175,146</b>	<b>190,986</b>	<b>170,942</b>

## Notes to the Financial Statements

## 37. General and administrative expenses

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Staff costs	3,964,138	3,737,055	3,752,971	3,525,091
Office and administrative expense	1,116,985	967,094	1,030,445	873,103
Depreciation of fixed assets	544,626	560,218	531,806	533,816
Electronic equipment operating expenses	335,192	326,365	308,728	300,487
Rental expenses	229,841	225,132	193,461	189,199
Deposit insurance expenses	115,444	91,240	108,804	85,866
Amortisation of intangible assets	78,328	76,787	78,197	76,683
Amortisation of long-term prepaid expenses	51,986	63,361	37,342	41,152
<b>Total</b>	<b>6,436,540</b>	<b>6,047,252</b>	<b>6,041,754</b>	<b>5,625,397</b>

## 38. Impairment losses on assets

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Loans and advances to customers	4,795,753	3,382,968	3,935,514	2,627,578
Available-for-sale financial assets	-	68,000	-	68,000
Receivables investment	-	27,528	-	27,528
Held-to-maturity investment	(9)	20,637	(9)	20,637
Long-term equity investment			148,044	326,664
Other	10,735	34,179	4,664	19,706
<b>Total</b>	<b>4,806,479</b>	<b>3,533,312</b>	<b>4,088,213</b>	<b>3,090,113</b>

## 39. Non-operating income

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Proceeds from security companies	10,906	62,561	10,906	62,561
Gain on disposal of long-term unclaimed deposits	5,670	1,050	5,670	1,050
Penalty <sup>(Note 1)</sup>	2,003	151,843	2,003	151,843
Others <sup>(Note 2)</sup>	27,476	43,316	25,467	39,772
<b>Total</b>	<b>46,055</b>	<b>258,770</b>	<b>44,046</b>	<b>255,226</b>

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 obtaining House Property Right Certificate on time.

Note 2: Shanghai Municipal Government 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, equal to the sum of cash and land use rights basically. The Bank recognized such non-operating income in the amount of RMB 370 thousand for the year ended 31 December 2018 (Year ended 31 December 2017: RMB1,069 thousand).

## 40. Non-operating expense

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Pending litigation	-	16,021		
Donations	4,254	8,491	3,934	8,292
Losses on physical inspection and disposal of fixed assets	1,703	976	1,604	901
Payment for breach of contract	1,152	2,292	1,152	2,292
Overdue withdrawal refunds expenditure	142	139	142	136
Others	11,196	4,745	8,072	3,403
<b>Total</b>	<b>18,447</b>	<b>32,664</b>	<b>14,904</b>	<b>15,024</b>

#### 41. Income tax expense

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Current income tax	2,304,901	2,370,466	2,217,406	2,214,330
Deferred income tax	(703,759)	(652,869)	(717,125)	(744,478)
<b>Total</b>	<b>1,601,142</b>	<b>1,717,597</b>	<b>1,500,281</b>	<b>1,469,852</b>

Reconciliation between income tax expenses and accounting profit:

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Profit before tax	8,725,850	8,380,598	8,902,724	8,055,386
Tax calculated at applicable tax rate	2,187,629	2,038,539	2,225,681	2,013,846
Tax effect arising from income not subject to tax	(710,076)	(569,774)	(710,076)	(569,774)
Tax effect of expenses not deductible for tax purposes	33,030	24,781	31,227	23,455
Tax effect of deductible loss of unrecognised deferred income tax assets or deductible temporary difference	136,267	213,862		
Differences arising from tax filing	(45,708)	10,189	(46,551)	2,325
Income tax expense	1,601,142	1,717,597	1,500,281	1,469,852

#### 42. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Item	Group		Bank	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
<b>I. Reconciliation of net profit to cash flows from operating activities:</b>				
Net profit	7,124,708	6,663,001	7,402,443	6,585,534
Adjustment: Impairment loss on assets	4,806,479	3,533,312	4,088,213	3,090,113
Depreciation of fixed assets	544,626	560,218	531,806	533,816
Amortisation of intangible assets	78,328	76,787	78,197	76,683
Amortisation of long-term prepaid expenses	51,986	63,361	37,342	41,152
Loss/(gain) on disposal of fixed assets, intangible asset and capital for debt payment	(85,767)	(93,647)	(85,767)	(92,498)
Loss/(gain) on changes in fair value	(443,207)	674,738	(443,207)	674,738
Interest income from investment securities	(7,050,729)	(6,304,234)	(7,050,729)	(6,304,234)
Investment income	(1,549,429)	(2,146,848)	(1,561,512)	(2,135,842)
Interest expenses for debt securities issued	1,456,322	2,215,699	1,456,322	2,215,699
Increase in deferred income tax assets	(703,759)	(652,869)	(717,125)	(744,478)
Decrease in operating receivable	(36,530,092)	(80,561,769)	(39,286,793)	(77,252,645)
Increase in operating payable	27,007,348	73,648,861	31,503,135	75,706,183
Net cash provided from operating activities	(5,293,186)	(2,323,390)	(4,047,675)	2,394,221
<b>II. Net increase in cash and cash equivalents</b>				
Cash and cash equivalents at the end of the year	19,523,154	15,828,714	15,444,671	11,206,924
Less: cash and cash equivalents at the beginning of the year	15,828,714	18,352,849	11,206,924	9,717,587
Net increase/(decrease) in cash and cash equivalents	3,694,440	(2,524,135)	4,237,747	1,489,337

## Notes to the Financial Statements

*(2) Cash and cash equivalents*

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Cash	1,598,222	1,484,308	1,515,516	1,391,802
Balances with central bank	12,318,295	8,106,080	10,965,064	6,490,384
Due from banks and other financial institutions (maturity date within three months)	5,606,637	6,238,326	2,964,091	3,324,738
<b>Total</b>	<b>19,523,154</b>	<b>15,828,714</b>	<b>15,444,671</b>	<b>11,206,924</b>

## 43. 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 2018	As at 31 December 2017
Investment securities	36,038,762	45,812,327
Bills	12,721,272	7,766,978
<b>Total</b>	<b>48,760,034</b>	<b>53,579,305</b>

*(2) Collateral accepted*

The Group and Bank has no resale agreement and there is no collateral that can be sold or reused for security without the owner of the collateral on 31 December 2018. (31 December 2017: RMB296,002 thousand) The Group and the Bank are obliged to return the collateral on the agreed resale date. The Group and the Bank did not resell or re-pledge any collateral accepted as at 31 December 2018 (Group and Bank as at 31 December 2017: Nil).

## 44. Transfers of financial assets

*(1) 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 2018 and 2017, 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 2018				
	Available-for-sale financial assets	Held-to-maturity investments	Transact-ional financial assets	Loans and advances	Total
Carrying amounts of transferred assets	to customers	Total	-	12,721,272	48,760,034
Carrying amounts of associated liabilities	498,750	33,246,132	-	12,721,272	46,466,154

## Notes to the Financial Statements

Group and Bank					
As at 31 December 2017					
Item	Available-for-sale financial assets	Held-to-maturity investments	Transact-ional financial assets	Loans and advances	Total
Carrying amounts of transferred assets	to customers	Total	1,017,069	7,766,978	53,553,315
Carrying amounts of associated liabilities	9,386,357	34,098,716	1,009,400	7,766,978	52,261,451

#### 45. 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 2018 the wealth management products managed and consolidated by the Group amounted to RMB 24,615,225 thousand (As at 31 December 2017: RMB21,239,774 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:

Group and Bank			
Item	As at 31 December 2018	As at 31 December 2017	Type of income
Wealth management products	85,158,666	67,225,594	Commission income

Details of the Group and Bank involve with structured entities through investments in structured entities are as follows:

Group							
Item	As at 31 December 2018			As at 31 December 2017			Major income type
	Available-for-sale financial assets	Held-to-maturity investments	Receivables investment	Available-for-sale financial assets	Held-to-maturity investments	Receivables investment	
Trusts and asset management products	14,484,285	-	10,446,330	15,193,593	-	12,347,508	Investment income and interest income
Wealth management products	11,611,142	-	-	30,835,554	-	-	Investment income
Securities investment funds	19,024,374	-	-	13,082,339	-	-	Investment income
Asset-backed securities	353,804	1,841,260	-	81,243	2,686,282	-	Interest income
<b>Total</b>	<b>45,473,605</b>	<b>1,841,260</b>	<b>10,446,330</b>	<b>59,192,729</b>	<b>2,686,282</b>	<b>12,347,508</b>	

## Notes to the Financial Statements

Item	Bank						Major income type
	As at 31 December 2018			As at 31 December 2017			
	Available-for-sale financial assets	Held-to-maturity investments	Receivables investment	Available-for-sale financial assets	Held-to-maturity investments	Receivables investment	
Trusts and asset management products	14,484,285	-	10,446,330	14,520,351	-	12,347,508	Investment income and interest income
Wealth management products	11,611,142	-	-	30,835,554	-	-	Investment income
Securities investment funds	19,024,374	-	-	13,082,339	-	-	Investment income
Asset-backed securities	353,804	1,841,260	-	81,243	2,686,282	-	Interest income
<b>Total</b>	<b>45,473,605</b>	<b>1,841,260</b>	<b>10,446,330</b>	<b>58,519,487</b>	<b>2,686,282</b>	<b>12,347,508</b>	

## IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Related party relationships

#### (1) 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 2018:

Name of entity	Main business	Main business (%)	
		As at 31 December 2018	As at 31 December 2017
Shanghai State-owned Assets management Co., Ltd.	Capital management and industrial investment	9.22	10.00
China Ocean Shipping Group Co. Ltd.	International ship transport	9.22	10.00
Baoshan Iron & Steel Co., Ltd.	Steel smelting	9.22	10.00
China Pacific Life Insurance Co., Ltd.	Insurance and capital investment	6.45	7.00
Shanghai International (Group) Co., Ltd.	Investment	5.55	6.02
Shanghai Guosheng Group Co., Ltd.	Capital operation, industrial investment	5.46	4.47
Zhejiang Expressway Co., Ltd.	Highway, financial securities	5.36	-
Shenzhen Lenovo Science and Technology Park Co., Ltd.	Investment	5.28	5.73

#### (2) Subsidiaries

Please refer to Note VII for the subsidiary information

#### (3) Associates

Please refer to Note VIII, 11 for the associate information.

#### (4) Other related party

Other related parties include key management personnel (including directors, supervisors and senior management) and family members with close ties, as well as key management personnel and family members with close ties to control, jointly control or may exert significant influence, serve as directors, senior The legal person or other organization of the manager.

### 2. Related party transaction

The related party transactions of the Group are mainly loans and deposits. The Group's transactions with related parties are conducted in accordance with normal commercial terms and normal business procedures, and the pricing principles are consistent with independent third party transactions.

## Notes to the Financial Statements

*(1) Interest income*

Type of related party	Group	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	48,111	33,487
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	12,237	13,079
Key management personnel of the Bank and their close family members	1,062	952
<b>Total</b>	<b>61,410</b>	<b>47,518</b>

Type of related party	Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	48,111	33,487
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	12,237	13,079
Key management personnel of the Bank and their close family members	1,062	952
The Bank's holding subsidiaries, joint ventures and associated enterprises	3,660	225
<b>Total</b>	<b>65,070</b>	<b>47,743</b>

*(2) Interest expense*

Type of related party	Group	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	57,004	31,121
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	3,366	2,471
Key management personnel of the Bank and their close family members	761	140
The Bank's holding subsidiaries, joint ventures and associated enterprises	783	1,336
<b>Total</b>	<b>61,914</b>	<b>35,068</b>

Type of related party	Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	57,004	31,121
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	3,366	2,471
Key management personnel of the Bank and their close family members	761	140
The Bank's holding subsidiaries, joint ventures and associated enterprises	221,617	219,452
<b>Total</b>	<b>282,748</b>	<b>253,184</b>

*(3) Fee and commission income*

Type of related party	Group	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	2,722	19,709
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	90	1,516
The Bank's holding subsidiaries, joint ventures and associated enterprises	10	1
<b>Total</b>	<b>2,822</b>	<b>21,226</b>

## Notes to the Financial Statements

Type of related party	Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	2,722	19,709
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	90	1,516
The Bank's holding subsidiaries, joint ventures and associated enterprises	61,752	61,907
<b>Total</b>	<b>64,564</b>	<b>83,132</b>

*(4) General and administrative expenses*

Type of related party	Group and Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	25	420

*(5) Key management personnel cost*

Item	Group and Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Pay and benefits	11,999	8,303

## 3. Major balances with related parties

*(1) Due from banks and other financial institutions*

Type of related party	Group	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	-	8,691
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	1,174,455	177,599
<b>Total</b>	<b>1,174,455</b>	<b>186,290</b>

Type of related party	Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	-	8,691
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	1,174,455	177,599
The Bank's holding subsidiaries, joint ventures and associated enterprises	60,000	60,000
<b>Total</b>	<b>1,234,455</b>	<b>246,290</b>

*(2) Placements with financial institutions*

Type of related party	Group and Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	905,942	-

(3) Loans and advances to customers

Type of related party	Group and Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	731,833	1,069,170
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	744,750	367,750
Key management personnel of the Bank and their close family members	28,474	32,804
<b>Total</b>	<b>1,505,057</b>	<b>1,469,724</b>

(4) Customer deposits

Type of related party	Group and Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	324,981	304,455
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	549,569	210,334
Key management personnel of the Bank and their close family members	18,669	13,255
The Bank's holding subsidiaries, joint ventures and associated enterprises	63,763	71,626
<b>Total</b>	<b>974,982</b>	<b>599,670</b>

(5) Financial product

Type of related party	Group	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	176,530	-
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	1,851,800	708,600
<b>Total</b>	<b>2,028,330</b>	<b>708,600</b>

Type of related party	Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	176,530	-
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	1,851,800	708,600
The Bank's holding subsidiaries, joint ventures and associated enterprises	1,180,000	670,000
<b>Total</b>	<b>3,208,330</b>	<b>1,378,600</b>

(6) Due to banks and other financial institutions

Type of related party	Group	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	11	12
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	42	38
The Bank's holding subsidiaries, joint ventures and associated enterprises	16,423	9,807
<b>Total</b>	<b>16,476</b>	<b>9,857</b>

## Notes to the Financial Statements

Type of related party	Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	11	12
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	42	38
The Bank's holding subsidiaries, joint ventures and associated enterprises	4,638,798	5,021,011
<b>Total</b>	<b>4,638,851</b>	<b>5,021,061</b>

*(7) Placements from banks and other financial institutions*

Type of related party	Group and Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	319,699	-

*(8) Assets sold under repurchase agreement*

Type of related party	Group and Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	-	1,300,000

*(9) Interest receivable*

Type of related party	Group and Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	1,621	4,705
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	797	367
Key management personnel of the Bank and their close family members	40	26
<b>Total</b>	<b>2,458</b>	<b>5,098</b>

*(10) Interest payable*

Type of related party	Group	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	29,741	20,320
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	137	33
Key management personnel of the Bank and their close family members	212	294
The Bank's holding subsidiaries, joint ventures and associated enterprises	53	8
<b>Total</b>	<b>30,143</b>	<b>20,655</b>

Type of related party	Bank	
	Year ended 31 December 2018	Year ended 31 December 2017
Shareholders holding more than 5% (including 5%) of the Bank's shares and their controlling shareholders and holding subsidiaries	29,741	20,320
The key management personnel of the Bank and their close family members control, jointly control or may exert significant influence, act as directors, senior management's legal person or other organization	137	33
Key management personnel of the Bank and their close family members	212	294
The Bank's holding subsidiaries, joint ventures and associated enterprises	20,378	16,351
<b>Total</b>	<b>50,468</b>	<b>36,998</b>

## X. 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 2018, 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.

## XI. COMMITMENTS

### 1. Credit-related commitments

Item	Group and Bank	
	As at 31 December 2018	As at 31 December 2017
Loan commitments	19,933,146	23,108,820
Acceptances	7,833,607	6,718,758
Letters of guarantee	3,594,610	5,021,503
Letters of credit	1,980,154	1,585,448
<b>Total</b>	<b>33,341,517</b>	<b>36,434,529</b>

### 2. Capital commitments

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Authorised but not contracted for	35,723	60,342	35,723	59,810
Contracted but not provided for	184,729	285,407	180,777	282,334
<b>Total</b>	<b>220,452</b>	<b>345,749</b>	<b>216,500</b>	<b>342,144</b>

### 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 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Within 1 year	203,763	195,177	170,748	161,324
Beyond 1 year and not more than 5 years	551,556	540,237	445,051	427,951
More than 5 years	167,058	201,135	126,846	142,720
<b>Total</b>	<b>922,377</b>	<b>936,549</b>	<b>742,645</b>	<b>731,995</b>

### 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 RMB 3,341,876 thousand as at 31 December 2018 (as at 31 December 2017: RMB3,246,116 thousand).

## XII. FIDUCIARY ACTIVITIES

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Entrusted loans	128,995,099	138,157,528	127,858,241	136,778,564

## XIII. 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
	Year ended 31 December 2018				
	Corporate banking business	Personal banking business	Treasury business	Other business	
<b>I. Operating income</b>	10,880,956	4,881,249	3,634,842	748,435	20,145,482
Net interest income	9,854,321	3,778,062	977,567	419,231	15,029,181
Of which: external net interest income	7,838,722	(1,792,184)	9,902,239	(919,596)	15,029,181
internal net interest income	2,015,599	5,570,246	(8,924,672)	1,338,827	-
Net fee and commission income	1,188,804	1,100,857	916,846	34,443	3,240,950
Investment income	(147,406)	-	1,575,084	121,751	1,549,429
Other income	-	-	-	27,650	27,650
Gain/(loss) from changes in fair value	(64,670)	-	509,521	(1,644)	443,207
Exchange gain/(loss)	49,193	2,330	(344,176)	34,873	(257,780)
Other operating income	714	-	-	26,364	27,078
Gains from disposal of assets	-	-	-	85,767	85,767
<b>II. Operating expense</b>	(7,234,266)	(2,692,828)	(465,933)	(1,054,213)	(11,447,240)
Taxes and levies	(107,921)	(47,629)	(33,284)	(6,135)	(194,969)
General and administrative expenses	(2,875,658)	(2,093,574)	(432,587)	(1,034,721)	(6,436,540)
Impairment losses charged	(4,250,199)	(551,625)	(62)	(4,593)	(4,806,479)
Other operating expense	(488)	-	-	(8,764)	(9,252)
<b>III. Operating income</b>	3,646,690	2,188,421	3,168,909	(305,778)	8,698,242
Add: non-operating income	-	-	-	46,055	46,055
Less: non-operating expenses	-	-	-	(18,447)	(18,447)
<b>Profit before tax</b>	3,646,690	2,188,421	3,168,909	(278,170)	8,725,850
<b>Total assets</b>	305,260,490	108,881,198	333,806,816	85,764,248	833,712,752
<b>Total liabilities</b>	(361,694,839)	(296,960,311)	(85,140,505)	(25,115,492)	(768,911,147)

## Notes to the Financial Statements

Item	Group				
	Year ended 31 December 2017				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
<b>I. Operating income</b>	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
Other income	-	-	-	118,165	118,165
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
<b>II. Operating expense</b>	(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)
<b>III. Operating income</b>	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)
<b>Profit before tax</b>	4,384,359	2,070,069	2,391,797	(465,627)	8,380,598
<b>Total assets</b>	276,563,431	98,517,879	323,572,390	103,403,899	802,057,599
<b>Total liabilities</b>	(355,088,711)	(267,071,961)	(113,152,699)	(13,727,324)	(749,040,695)

## 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 exaction 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:

<b>Collateral</b>	<b>Maximum loan-to-value ratio (%)</b>
Time deposit	85.00-100.00
Certificate treasury bonds	90.00-100.00
Financial bond	90.00
Corporate bond	80.00
Commercial building and factory	50.00-70.00
Housing and land use rights	60.00-70.00

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

## Notes to the Financial Statements

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 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
<b>Credit risk exposures relating to balance sheet items:</b>				
Cash and balances with central bank	86,490,347	96,058,800	82,792,804	91,898,866
Due from banks and other financial institutions	11,235,385	19,514,699	4,361,838	9,961,760
Placement with banks and other financial institutions	40,525,892	35,080,222	40,525,892	35,080,222
Financial assets at fair value through profit or loss	7,264,796	2,515,427	7,264,796	2,515,427
Derivative financial assets	272,139	375,697	272,139	375,697
Financial assets purchased under resale agreements	40,636,088	26,737,512	40,636,088	26,737,512
Loans and advances to customers	394,034,412	361,298,257	383,513,648	349,697,860
Available-for-sale financial assets	104,201,172	103,688,375	104,201,172	103,015,133
Held-to-maturity investments	120,547,430	121,036,032	120,547,430	121,036,032
Receivables investment	10,543,200	12,472,235	10,543,200	12,472,235
Other financial assets	5,468,663	3,817,093	5,351,545	3,699,509
<b>Sub-total</b>	<b>821,219,524</b>	<b>782,594,349</b>	<b>800,010,552</b>	<b>756,490,253</b>
<b>Credit risk exposures relating to off-balance-sheet items:</b>				
Loan commitments	19,933,146	23,108,820	19,933,146	23,108,820
Acceptances	7,833,607	6,718,758	7,833,607	6,718,758
Letters of guarantee	3,594,610	5,021,503	3,594,610	5,021,503
Letters of credit	1,980,154	1,585,448	1,980,154	1,585,448
<b>Sub-total</b>	<b>33,341,517</b>	<b>36,434,529</b>	<b>33,341,517</b>	<b>36,434,529</b>
<b>Total</b>	<b>854,561,041</b>	<b>819,028,878</b>	<b>833,352,069</b>	<b>792,924,782</b>

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 Institutions and financial assets purchased under resale agreements

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Neither past due nor impaired	92,397,365	81,332,433	85,523,818	71,779,494

#### 2.2.6 Loans and advances to customers

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Neither past due nor impaired	404,449,427	367,717,537	393,421,865	356,079,614
Past due but not impaired	820,364	1,058,107	573,270	803,578
Impaired	4,637,390	4,867,933	3,870,063	3,911,307
<b>Total</b>	<b>409,907,181</b>	<b>373,643,577</b>	<b>397,865,198</b>	<b>360,794,499</b>
Less: allowance for impairment	(15,872,769)	(12,345,320)	(14,351,550)	(11,096,639)
Carrying amounts	394,034,412	361,298,257	383,513,648	349,697,860

(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.

Group						
Item	As at 31 December 2018			As at 31 December 2017		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	295,627,690	105,734,207	401,361,897	265,890,884	97,052,968	362,943,852
Special mention	2,895,940	191,590	3,087,530	4,479,496	294,189	4,773,685
<b>Total</b>	<b>298,523,630</b>	<b>105,925,797</b>	<b>404,449,427</b>	<b>270,370,380</b>	<b>97,347,157</b>	<b>367,717,537</b>

Bank						
Item	As at 31 December 2018			As at 31 December 2017		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	291,721,199	99,270,529	390,991,728	260,788,668	91,613,495	352,402,163
Special mention	2,419,330	10,807	2,430,137	3,677,451	-	3,677,451
<b>Total</b>	<b>294,140,529</b>	<b>99,281,336</b>	<b>393,421,865</b>	<b>264,466,119</b>	<b>91,613,495</b>	<b>356,079,614</b>

(b) Loans and advances to customers past due but not impaired

Group					
Item	As at 31 December 2018				Total
	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 91 days past due	
Corporate	186,217	50,218	34,841	-	271,276
Individual	394,487	113,622	40,979	-	549,088
<b>Total</b>	<b>580,704</b>	<b>163,840</b>	<b>75,820</b>	<b>-</b>	<b>820,364</b>

Group					
Item	As at 31 December 2017				Total
	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 91 days past due	
Corporate	400,519	70,360	62,272	82,801	615,952
Individual	311,466	76,773	26,305	27,611	442,155
<b>Total</b>	<b>711,985</b>	<b>147,133</b>	<b>88,577</b>	<b>110,412</b>	<b>1,058,107</b>

Bank					
Item	As at 31 December 2018				Total
	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 91 days past due	
Corporate	93,616	17,420	8,976	-	120,012
Individual	349,288	83,144	20,826	-	453,258
<b>Total</b>	<b>442,904</b>	<b>100,564</b>	<b>29,802</b>	<b>-</b>	<b>573,270</b>

## Notes to the Financial Statements

Bank					
As at 31 December 2017					
Item	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 91 days past due	Total
Corporate	344,145	36,985	22,932	58,757	462,819
Individual	274,972	49,735	16,052	-	340,759
<b>Total</b>	<b>619,117</b>	<b>86,720</b>	<b>38,984</b>	<b>58,757</b>	<b>803,578</b>

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 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Corporate	4,048,169	4,143,772	3,519,938	3,593,001
Individual	589,221	724,161	350,125	318,306
<b>Total</b>	<b>4,637,390</b>	<b>4,867,933</b>	<b>3,870,063</b>	<b>3,911,307</b>

## (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 2018, the restructured loans held by the Group amounted to RMB48,892 thousand (As at 31 December 2017: RMB436,391 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 2018					
Item	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Receivables investment	Total
AAA- to AAA+	986,715	16,394,392	27,676,503	-	45,057,610
AA- to AA+	101,066	2,408,846	3,456,924	-	5,966,836
Unrated	6,177,015	85,397,934	89,414,003	10,543,200	191,532,152
<b>Total</b>	<b>7,264,796</b>	<b>104,201,172</b>	<b>120,547,430</b>	<b>10,543,200</b>	<b>242,556,598</b>

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	Receivables investment	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
<b>Total</b>	<b>2,515,427</b>	<b>103,688,375</b>	<b>121,036,032</b>	<b>12,472,235</b>	<b>239,712,069</b>

## Notes to the Financial Statements

<b>Bank</b>					
<b>As at 31 December 2018</b>					
<b>Item</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Available-for-sale financial assets</b>	<b>Held-to-maturity investments</b>	<b>Receivables investment</b>	<b>Total</b>
AAA- to AAA+	986,715	16,394,392	27,676,503	-	45,057,610
AA- to AA+	101,066	2,408,846	3,456,924	-	5,966,836
Unrated	6,177,015	85,397,934	89,414,003	10,543,200	191,532,152
<b>Total</b>	<b>7,264,796</b>	<b>104,201,172</b>	<b>120,547,430</b>	<b>10,543,200</b>	<b>242,556,598</b>

<b>Bank</b>					
<b>As at 31 December 2017</b>					
<b>Item</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Available-for-sale financial assets</b>	<b>Held-to-maturity investments</b>	<b>Receivables investment</b>	<b>Total</b>
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
<b>Total</b>	<b>2,515,427</b>	<b>103,015,133</b>	<b>121,036,032</b>	<b>12,472,235</b>	<b>239,038,827</b>

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.

### **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.

## Notes to the Financial Statements

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 2018			
	RMB	USD	Others	Total
<b>Assets</b>				
Cash and balances with central bank	86,177,014	283,981	29,352	86,490,347
Due from banks and other financial institutions	10,393,280	612,954	229,151	11,235,385
Placements with banks and other financial institutions	35,219,987	5,227,432	78,473	40,525,892
Financial assets at fair value through profit or loss	7,264,796	-	-	7,264,796
Derivative financial assets	6,755	78,394	186,990	272,139
Financial assets purchased under resale agreements	40,636,088	-	-	40,636,088
Loans and advances to customers	391,344,881	2,669,597	19,934	394,034,412
Available-for-sale financial assets	104,886,280	-	-	104,886,280
Held-to-maturity investments	119,786,727	760,703	-	120,547,430
Receivables investment	10,543,200	-	-	10,543,200
Other assets	17,243,635	33,005	143	17,276,783
<b>Total assets</b>	<b>823,502,643</b>	<b>9,666,066</b>	<b>544,043</b>	<b>833,712,752</b>
<b>Liabilities</b>				
Borrowings from central bank	(11,971,000)	-	-	(11,971,000)
Due to banks and other financial institutions	(4,931,749)	(2,494)	-	(4,934,243)
Placements from banks and other financial institutions	(4,000,000)	(17,261,851)	(5,449)	(21,267,300)
Financial liabilities at fair value through profit or loss	(53,154)	-	-	(53,154)
Derivative financial liabilities	(52,987)	(82,613)	(216,920)	(352,520)
Financial assets sold under repurchase agreements	(46,466,154)	-	-	(46,466,154)
Customer deposits	(639,001,342)	(5,131,733)	(774,587)	(644,907,662)
Debt securities issued	(23,375,798)	-	-	(23,375,798)
Other liabilities	(15,425,166)	(143,186)	(14,964)	(15,583,316)
<b>Total liabilities</b>	<b>(745,277,350)</b>	<b>(22,621,877)</b>	<b>(1,011,920)</b>	<b>(768,911,147)</b>
Net value	78,225,293	(12,955,811)	(467,877)	64,801,605
Financial guarantee and credit-related commitments	30,903,170	1,219,075	1,219,272	33,341,517

Item	Group			
	As at 31 December 2017			
	RMB	USD	Others	Total
<b>Assets</b>				
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
Receivables investment	12,472,235	-	-	12,472,235
Other assets	15,331,600	6,422,696	-	21,754,296
<b>Total assets</b>	<b>790,010,344</b>	<b>11,661,305</b>	<b>385,950</b>	<b>802,057,599</b>
<b>Liabilities</b>				
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)
Financial liabilities at fair value through profit or loss	(131)	-	-	(131)
Derivative financial liabilities	(16,041)	(723,399)	(140,850)	(880,290)
Financial assets sold under repurchase agreements	(52,261,451)	-	-	(52,261,451)
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)
<b>Total liabilities</b>	<b>(716,050,631)</b>	<b>(32,603,870)</b>	<b>(386,194)</b>	<b>(749,040,695)</b>
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

## Notes to the Financial Statements

Item	Bank			Total
	As at 31 December 2018			
	RMB	USD	Others	
<b>Assets</b>				
Cash and balances with central bank	82,479,471	283,981	29,352	82,792,804
Due from banks and other financial institutions	3,519,733	612,954	229,151	4,361,838
Placements with banks and other financial institutions	35,219,987	5,227,432	78,473	40,525,892
Financial assets at fair value through profit or loss	7,264,796	-	-	7,264,796
Derivative financial assets	6,755	78,394	186,990	272,139
Financial assets purchased under resale agreements	40,636,088	-	-	40,636,088
Loans and advances to customers	380,824,117	2,669,597	19,934	383,513,648
Available-for-sale financial assets	104,886,280	-	-	104,886,280
Held-to-maturity investments	119,786,727	760,703	-	120,547,430
Receivables investment	10,543,200	-	-	10,543,200
Other assets	17,531,531	33,005	143	17,564,679
<b>Total assets</b>	<b>802,698,685</b>	<b>9,666,066</b>	<b>544,043</b>	<b>812,908,794</b>
<b>Liabilities</b>				
Borrowings from central bank	(11,680,000)	-	-	(11,680,000)
Due to banks and other financial institutions	(10,737,689)	(2,494)	-	(10,740,183)
Placements from banks and other financial institutions	(4,000,000)	(17,261,851)	(5,449)	(21,267,300)
Financial liabilities at fair value through profit or loss	(53,154)	-	-	(53,154)
Derivative financial liabilities	(52,987)	(82,613)	(216,920)	(352,520)
Financial assets sold under repurchase agreements	(46,466,154)	-	-	(46,466,154)
Customer deposits	(614,833,444)	(5,131,733)	(774,587)	(620,739,764)
Debt securities issued	(23,375,798)	-	-	(23,375,798)
Other liabilities	(14,888,170)	(143,186)	(14,964)	(15,046,320)
<b>Total liabilities</b>	<b>(726,087,396)</b>	<b>(22,621,877)</b>	<b>(1,011,920)</b>	<b>(749,721,193)</b>
Net value	76,611,289	(12,955,811)	(467,877)	63,187,601
Financial guarantee and credit-related commitments	30,903,170	1,219,075	1,219,272	33,341,517

Item	Bank			
	As at 31 December 2017			
	RMB	USD	Others	Total
<b>Assets</b>				
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
Receivables investment	12,472,235	-	-	12,472,235
Other assets	15,707,807	6,422,696	-	22,130,503
<b>Total assets</b>	<b>764,400,039</b>	<b>11,661,305</b>	<b>385,950</b>	<b>776,447,294</b>
<b>Liabilities</b>				
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)
Financial liabilities at fair value through profit or loss	(131)	-	-	(131)
Derivative financial liabilities	(16,041)	(723,399)	(140,850)	(880,290)
Financial assets sold under repurchase agreements	(52,261,451)	-	-	(52,261,451)
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)
<b>Total liabilities</b>	<b>(692,364,897)</b>	<b>(32,603,870)</b>	<b>(386,194)</b>	<b>(725,354,961)</b>
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

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 2018	Year ended 31 December 2017
5% appreciation of RMB	(502,213)	(1,024,276)
5% depreciation of RMB	502,213	1,024,276

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.

## Notes to the Financial Statements

**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 2018					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	
<b>Assets</b>						
Cash and balances with central bank	84,573,071	-	-	-	1,917,276	86,490,347
Due from banks and other financial institutions	6,176,283	5,037,179	-	-	21,923	11,235,385
Placements with banks and other financial institutions	12,731,080	24,389,694	3,405,118	-	-	40,525,892
Financial assets at fair value through profit or loss	876,257	4,857,242	989,034	542,263	-	7,264,796
Derivative financial assets	-	-	-	-	272,139	272,139
Financial assets purchased under resale agreements	40,636,088	-	-	-	-	40,636,088
Loans and advances to customers	171,090,399	213,171,159	5,013,628	1,571,518	3,187,708	394,034,412
Available-for-sale financial assets	31,151,830	18,750,591	38,052,304	16,246,447	685,108	104,886,280
Held-to-maturity investments	4,689,889	10,726,773	66,312,561	38,818,207	-	120,547,430
Receivables investment	1,259,128	1,582,869	7,031,685	669,518	-	10,543,200
Other assets	-	-	-	-	17,276,783	17,276,783
<b>Total assets</b>	<b>353,184,025</b>	<b>278,515,507</b>	<b>120,804,330</b>	<b>57,847,953</b>	<b>23,360,937</b>	<b>833,712,752</b>
<b>Liabilities</b>						
Borrowings from central bank	(545,000)	(11,426,000)	-	-	-	(11,971,000)
Due to banks and other financial institutions	(4,934,243)	-	-	-	-	(4,934,243)
Placements with banks and other financial institutions	(16,116,468)	(5,150,832)	-	-	-	(21,267,300)
Financial liabilities at fair value through profit or loss	-	-	-	-	(53,154)	(53,154)
Derivative financial liabilities	-	-	-	-	(352,520)	(352,520)
Financial assets sold under repurchase agreements	(38,772,022)	(2,286,399)	(5,407,733)	-	-	(46,466,154)
Customer deposits	(376,042,350)	(113,670,851)	(155,194,461)	-	-	(644,907,662)
Debt securities issued	(6,523,635)	(6,852,163)	-	(10,000,000)	-	(23,375,798)
Other liabilities	-	-	-	-	(15,583,316)	(15,583,316)
<b>Total liabilities</b>	<b>(442,933,718)</b>	<b>(139,386,245)</b>	<b>(160,602,194)</b>	<b>(10,000,000)</b>	<b>(15,988,990)</b>	<b>(768,911,147)</b>
Total interest sensitivity gap	(89,749,693)	139,129,262	(39,797,864)	47,847,953	7,371,947	64,801,605

Item	Group					
	As at 31 December 2017					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
<b>Assets</b>						
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
Receivables investment	163,129	1,460,296	10,116,081	732,729	-	12,472,235
Other assets	-	-	-	-	21,754,296	21,754,296
<b>Total assets</b>	<b>237,106,759</b>	<b>394,799,922</b>	<b>99,307,302</b>	<b>45,203,825</b>	<b>25,639,791</b>	<b>802,057,599</b>
<b>Liabilities</b>						
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)
Financial liabilities at fair value through profit or loss	-	-	-	-	(131)	(131)
Derivative financial liabilities	-	-	-	-	(880,290)	(880,290)
Financial assets sold under repurchase agreements	(44,209,919)	(7,072,145)	(979,387)	-	-	(52,261,451)
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)
<b>Total liabilities</b>	<b>(476,476,307)</b>	<b>(123,691,846)</b>	<b>(120,964,187)</b>	<b>(10,003,177)</b>	<b>(17,905,178)</b>	<b>(749,040,695)</b>
Total interest sensitivity gap	(239,369,548)	271,108,076	(31,656,885)	45,200,648	7,734,613	53,016,904

## Notes to the Financial Statements

Item	Bank					Total
	As at 31 December 2018					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	
<b>Assets</b>						
Cash and balances with central bank	80,963,988	-	-	-	1,828,816	82,792,804
Due from banks and other financial institutions	2,320,659	2,041,179	-	-	-	4,361,838
Placements with banks and other financial institutions	12,731,080	24,389,694	3,405,118	-	-	40,525,892
Financial assets at fair value through profit or loss	876,257	4,857,242	989,034	542,263	-	7,264,796
Derivative financial assets	-	-	-	-	272,139	272,139
Financial assets purchased under resale agreements	40,636,088	-	-	-	-	40,636,088
Loans and advances to customers	170,096,839	212,564,917	719,543	132,349	-	383,513,648
Available-for-sale financial assets	31,151,830	18,750,591	38,052,304	16,246,447	685,108	104,886,280
Held-to-maturity investments	4,689,889	10,726,773	66,312,561	38,818,207	-	120,547,430
Receivables investment	1,259,128	1,582,869	7,031,685	669,518	-	10,543,200
Other assets	-	-	-	-	17,564,679	17,564,679
<b>Total assets</b>	<b>344,725,758</b>	<b>274,913,265</b>	<b>116,510,245</b>	<b>56,408,784</b>	<b>20,350,742</b>	<b>812,908,794</b>
<b>Liabilities</b>						
Borrowings from central bank	(500,000)	(11,180,000)	-	-	-	(11,680,000)
Due to banks and other financial institutions	(10,209,183)	(531,000)	-	-	-	(10,740,183)
Placements from banks and other financial institutions	(16,116,468)	(5,150,832)	-	-	-	(21,267,300)
Financial liabilities at fair value through profit or loss	-	-	-	-	(53,154)	(53,154)
Derivative financial liabilities	-	-	-	-	(352,520)	(352,520)
Financial assets sold under repurchase agreements	(38,772,022)	(2,286,399)	(5,407,733)	-	-	(46,466,154)
Customer deposits	(360,582,168)	(109,383,787)	(150,773,809)	-	-	(620,739,764)
Debt securities issued	(6,523,635)	(6,852,163)	-	(10,000,000)	-	(23,375,798)
Other liabilities	-	-	-	-	(15,046,320)	(15,046,320)
<b>Total liabilities</b>	<b>(432,703,476)</b>	<b>(135,384,181)</b>	<b>(156,181,542)</b>	<b>(10,000,000)</b>	<b>(15,451,994)</b>	<b>(749,721,193)</b>
Total interest sensitivity gap	(87,977,718)	139,529,084	(39,671,297)	46,408,784	4,898,748	63,187,601

Item	Bank					
	As at 31 December 2017					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
<b>Assets</b>						
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
Receivables investment	163,129	1,460,296	10,116,081	732,729	-	12,472,235
Other assets	-	-	-	-	22,130,503	22,130,503
<b>Total assets</b>	<b>223,520,992</b>	<b>386,123,419</b>	<b>97,343,993</b>	<b>43,592,160</b>	<b>25,866,730</b>	<b>776,447,294</b>
<b>Liabilities</b>						
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)
<b>Total liabilities</b>	<b>(460,761,590)</b>	<b>(120,283,125)</b>	<b>(116,910,778)</b>	<b>(10,003,177)</b>	<b>(17,396,291)</b>	<b>(725,354,961)</b>
Total interest sensitivity gap	(237,240,598)	265,840,294	(19,566,785)	33,588,983	8,470,439	51,092,333

## Notes to the Financial Statements

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 2018		Year ended 31 December 2017	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points parallel shift in all yield curves	1,713,255	(1,368,669)	1,097,433	(853,504)
-100 basis points parallel shift in all yield curves	(1,713,255)	1,452,227	(1,097,433)	1,061,266

Bank				
Item	Year ended 31 December 2018		Year ended 31 December 2017	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points parallel shift in all yield curves	1,640,104	(1,368,669)	987,631	(853,504)
-100 basis points parallel shift in all yield curves	(1,640,104)	1,452,227	(987,631)	1,061,266

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.

#### 2.3.4 Other Price 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.

#### 2.4 Liquidity risk

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 VIII.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.

Item	Group							Total
	As at 31 December 2018							
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	
<b>Financial assets</b>								
Cash and balances with central bank	72,288,795	14,245,694	-	-	-	-	-	86,534,489
Due from banks and other financial institutions	-	3,129,754	2,263,951	2,104,877	3,980,958	-	-	11,479,540
Placements with banks and other financial institutions	-	-	6,615,362	6,535,622	25,696,356	3,814,124	-	42,661,464
Financial assets at fair value through profit or loss	10,417	-	6,080	875,682	4,938,558	1,143,208	642,843	7,616,788
Financial assets purchased under resale agreements	-	-	40,692,539	-	-	-	-	40,692,539
Loans and advances to customers	5,189,104	-	14,251,164	26,960,022	144,719,471	102,619,855	120,076,241	413,815,857
Available-for-sale financial assets	885,756	-	4,418,331	8,259,867	31,465,860	52,118,055	19,630,266	116,778,135
Held-to-maturity investments	20,000	-	2,106,557	1,759,123	13,323,757	79,586,132	44,896,582	141,692,151
Receivables investment	-	-	1,325,738	90,544	1,937,612	7,762,100	694,520	11,810,514
Other financial assets	-	-	474,685	-	-	-	-	474,685
<b>Total financial assets (contractual maturity dates)</b>	<b>78,394,072</b>	<b>17,375,448</b>	<b>72,154,407</b>	<b>46,585,737</b>	<b>226,062,572</b>	<b>247,043,474</b>	<b>185,940,452</b>	<b>873,556,162</b>
<b>Financial liabilities</b>								
Borrowings from central bank	-	-	(35,006)	(526,614)	(11,782,944)	-	-	(12,344,564)
Due to banks and other financial institutions	-	(1,779,038)	(498,716)	(2,660,055)	-	-	-	(4,937,809)
Placements from banks and other financial institutions	-	-	(7,741,259)	(8,464,937)	(5,304,984)	-	-	(21,511,180)
Financial liabilities at fair value through profit or loss	-	(53,154)	-	-	-	-	-	(53,154)
Financial assets sold under repurchase agreements	-	-	(38,805,153)	(2,295,474)	(5,463,570)	-	-	(46,564,197)
Customer deposits	-	(18,041,245)	(31,520,846)	(349,605,400)	(165,822,826)	(160,631,360)	-	(725,621,677)
Debt securities issued	-	-	(560,000)	(5,990,000)	(6,960,000)	-	(10,000,000)	(23,510,000)
Other financial liabilities	-	-	(564,701)	-	-	-	-	(564,701)
<b>Total financial liabilities (contractual maturity dates)</b>	<b>-</b>	<b>(19,873,437)</b>	<b>(79,725,681)</b>	<b>(369,542,480)</b>	<b>(195,334,324)</b>	<b>(160,631,360)</b>	<b>(10,000,000)</b>	<b>(835,107,282)</b>
Net value	78,394,072	(2,497,989)	(7,571,274)	(322,956,743)	30,728,248	86,412,114	175,940,452	38,448,880

## Notes to the Financial Statements

Item	Group							Total
	As at 31 December 2017							
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	
<b>Financial assets</b>								
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
Receivables investment	-	-	213,652	110,802	1,923,904	11,345,675	796,482	14,390,515
Other financial assets	-	-	124,091	-	-	-	-	124,091
<b>Total financial assets (contractual maturity dates)</b>	<b>94,532,701</b>	<b>11,824,449</b>	<b>74,445,490</b>	<b>50,900,834</b>	<b>201,524,496</b>	<b>213,148,232</b>	<b>195,367,623</b>	<b>841,743,825</b>
<b>Financial liabilities</b>								
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 liabilities at fair value through profit or loss	-	(131)	-	-	-	-	-	(131)
Financial assets sold under repurchase agreements	-	-	(45,541,847)	(5,876,590)	(991,888)	-	-	(52,410,325)
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)
<b>Total financial liabilities (contractual maturity dates)</b>	<b>-</b>	<b>(301,566,505)</b>	<b>(107,296,667)</b>	<b>(79,424,082)</b>	<b>(118,511,732)</b>	<b>(116,898,529)</b>	<b>(10,000,000)</b>	<b>(733,697,515)</b>
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

Bank								
As at 31 December 2018								
Item	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
<b>Financial assets</b>								
Cash and balances with central bank	70,027,189	12,809,757	-	-	-	-	-	82,836,946
Due from banks and other financial institutions	-	2,924,103	39,991	622,132	828,502	-	-	4,414,728
Placements with banks and other financial institutions	-	-	6,615,362	6,535,622	25,696,356	3,814,124	-	42,661,464
Financial assets at fair value through profit or loss	10,417	-	6,080	875,682	4,938,558	1,143,208	642,843	7,616,788
Financial assets purchased under resale agreements	-	-	40,692,539	-	-	-	-	40,692,539
Loans and advances to customers	4,440,623	-	13,588,585	26,271,410	139,713,060	100,749,759	113,664,576	398,428,013
Available-for-sale financial assets	885,756	-	4,418,331	8,259,867	31,465,860	52,118,055	19,630,266	116,778,135
Held-to-maturity investments	20,000	-	2,106,557	1,759,123	13,323,757	79,586,132	44,896,582	141,692,151
Receivables investment	-	-	1,325,738	90,544	1,937,612	7,762,100	694,520	11,810,514
Other financial assets	-	-	443,680	-	-	-	-	443,680
<b>Total financial assets (contractual maturity dates)</b>	<b>75,383,985</b>	<b>15,733,860</b>	<b>69,236,863</b>	<b>44,414,380</b>	<b>217,903,705</b>	<b>245,173,378</b>	<b>179,528,787</b>	<b>847,374,958</b>
<b>Financial liabilities</b>								
Borrowings from central bank	-	-	-	(516,611)	(11,536,891)	-	-	(12,053,502)
Due to banks and other financial institutions	-	(4,047,204)	(2,508,520)	(3,672,130)	(549,027)	-	-	(10,776,881)
Placements from banks and other financial institutions	-	-	(7,741,259)	(8,464,937)	(5,304,984)	-	-	(21,511,180)
Financial liabilities at fair value through profit or loss	-	(53,154)	-	-	-	-	-	(53,154)
Financial assets sold under repurchase agreements	-	-	(38,805,153)	(2,295,474)	(5,463,570)	-	-	(46,564,197)
Customer deposits	-	(4,324,248)	(31,020,629)	(348,277,578)	(161,320,854)	(155,609,907)	-	(700,553,216)
Debt securities issued	-	-	(560,000)	(5,990,000)	(6,960,000)	-	(10,000,000)	(23,510,000)
Other financial liabilities	-	-	(554,036)	-	-	-	-	(554,036)
<b>Total financial liabilities (contractual maturity dates)</b>	<b>-</b>	<b>(8,424,606)</b>	<b>(81,189,597)</b>	<b>(369,216,730)</b>	<b>(191,135,326)</b>	<b>(155,609,907)</b>	<b>(10,000,000)</b>	<b>(815,576,166)</b>
Net value	75,383,985	7,309,254	(11,952,734)	(324,802,350)	26,768,379	89,563,471	169,528,787	31,798,792

## Notes to the Financial Statements

Item	Bank							Total
	As at 31 December 2017							
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	
<b>Financial assets</b>								
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
Receivables investment	-	-	213,652	110,802	1,923,904	11,345,675	796,482	14,390,515
Other financial assets	-	-	88,590	-	-	-	-	88,590
<b>Total financial assets (contractual maturity dates)</b>	<b>89,337,933</b>	<b>10,964,763</b>	<b>70,290,135</b>	<b>54,393,824</b>	<b>212,716,710</b>	<b>198,992,037</b>	<b>185,473,465</b>	<b>822,168,867</b>
<b>Financial liabilities</b>								
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 liabilities at fair value through profit or loss	-	(131)	-	-	-	-	-	(131)
Financial assets sold under repurchase agreements	-	-	(45,541,847)	(5,876,590)	(991,888)	-	-	(52,410,325)
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)
<b>Total financial liabilities (contractual maturity dates)</b>	<b>-</b>	<b>(285,210,795)</b>	<b>(108,367,577)</b>	<b>(78,691,892)</b>	<b>(115,233,358)</b>	<b>(112,292,525)</b>	<b>(10,000,000)</b>	<b>(709,796,147)</b>
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

### 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 2018						
Item	Less than 1 month	1-3 months	3-12 months	3-12 months	More than 5 years	Total
Interest rate derivatives	156	742	1,670	2,892	-	5,460
Precious metals derivatives	(37,775)	(120,137)	(222,593)	-	-	(380,505)
<b>Total</b>	<b>(37,619)</b>	<b>(119,395)</b>	<b>(220,923)</b>	<b>2,892</b>	<b>-</b>	<b>(375,045)</b>

Group and Bank						
As at 31 December 2017						
Item	Less than 1 month	1-3 months	3-12 months	3-12 months	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)
<b>Total</b>	<b>872</b>	<b>(14,925)</b>	<b>(234)</b>	<b>1,015</b>	<b>-</b>	<b>(13,272)</b>

(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 2018						
Item	Less than 1 month	1-3 months	3-12 months	3-12 months	More than 5 years	Total
Exchange rate derivatives						
-Cash inflow	224,966	4,725,497	15,990,727	409,536	-	21,350,726
-Cash outflow	(224,680)	(4,721,180)	(16,052,482)	(408,234)	-	(21,406,576)
<b>Sub-total</b>	<b>286</b>	<b>4,317</b>	<b>(61,755)</b>	<b>1,302</b>	<b>-</b>	<b>(55,850)</b>

Group and Bank						
As at 31 December 2017						
Item	Less than 1 month	1-3 months	3-12 months	3-12 months	More than 5 years	Total
Exchange rate derivatives						
-Cash inflow	12,856,208	14,896,084	9,410,987	-	-	37,163,279
-Cash outflow	(13,087,108)	(15,098,351)	(9,581,572)	-	-	(37,767,031)
<b>Sub-total</b>	<b>(230,900)</b>	<b>(202,267)</b>	<b>(170,585)</b>	<b>-</b>	<b>-</b>	<b>(603,752)</b>

## Notes to the Financial Statements

## 2.4.3 表外项目

Group				
As at 31 December 2018				
Item	Less than 1 year	3-12 months	More than 5 years	Total
Loan commitments	12,282,858	3,229,623	4,420,665	19,933,146
Acceptances	7,833,607	-	-	7,833,607
Letters of guarantee	2,160,391	1,434,219	-	3,594,610
Letters of credit	1,979,789	365	-	1,980,154
Operating lease commitments	203,763	551,556	167,058	922,377
Capital commitments	181,180	39,272	-	220,452
<b>Total</b>	<b>24,641,588</b>	<b>5,255,035</b>	<b>4,587,723</b>	<b>34,484,346</b>

Group				
As at 31 December 2017				
Item	Less than 1 year	3-12 months	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
<b>Total</b>	<b>17,707,075</b>	<b>6,542,669</b>	<b>13,467,083</b>	<b>37,716,827</b>

Bank				
As at 31 December 2018				
Item	Less than 1 year	3-12 months	More than 5 years	Total
Loan commitments	12,282,858	3,229,623	4,420,665	19,933,146
Acceptances	7,833,607	-	-	7,833,607
Letters of guarantee	2,160,391	1,434,219	-	3,594,610
Letters of credit	1,979,789	365	-	1,980,154
Operating lease commitments	170,748	445,051	126,846	742,645
Capital commitments	177,228	39,272	-	216,500
<b>Total</b>	<b>24,604,621</b>	<b>5,148,530</b>	<b>4,547,511</b>	<b>34,300,662</b>

Bank				
As at 31 December 2017				
Item	Less than 1 year	3-12 months	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
<b>Total</b>	<b>17,669,617</b>	<b>6,430,383</b>	<b>13,408,668</b>	<b>37,508,668</b>

### 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			Total
	As at 31 December 2018			
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
-Debt securities	-	7,264,796	-	7,264,796
Available-for-sale financial assets				
-Debt securities	-	59,151,371	-	59,151,371
-Equity investments	673,608	-	-	673,608
-Trusts and asset management plans	-	-	14,484,285	14,484,285
-Wealth management products issued by other banks	-	-	11,611,142	11,611,142
-Securities investment funds	-	19,024,374	-	19,024,374
Derivatives financial assets				
- Exchange rate derivatives	-	85,619	-	85,619
- Interest rate derivatives	-	140,611	-	140,611
- Precious metal	-	45,909	-	45,909
<b>Total financial assets</b>	<b>673,608</b>	<b>85,712,680</b>	<b>26,095,427</b>	<b>112,481,715</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	(117,823)	-	(117,823)
Derivatives financial liabilities				
- Exchange rate derivatives	-	(151,239)	-	(151,239)
- Interest rate derivatives	-	(135,588)	-	(135,588)
- Precious metal	-	(65,693)	-	(65,693)
<b>Total financial liabilities</b>	<b>-</b>	<b>(470,343)</b>	<b>-</b>	<b>(470,343)</b>

Item	Group			Total
	As at 31 December 2017			
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
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	-	262,765	-	262,765
- Interest rate derivatives	-	92,836	-	92,836
- Precious metal	-	20,096	-	20,096
<b>Total financial assets</b>	<b>1,514,547</b>	<b>60,620,352</b>	<b>46,029,147</b>	<b>108,164,046</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	(131)	-	(131)
Derivatives financial liabilities				
- Exchange rate derivatives	-	(755,159)	-	(755,159)
- Interest rate derivatives	-	(90,445)	-	(90,445)
- Precious metal	-	(34,686)	-	(34,686)
<b>Total financial liabilities</b>	<b>-</b>	<b>(880,421)</b>	<b>-</b>	<b>(880,421)</b>

## Notes to the Financial Statements

Item	Bank			
	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
-Debt securities	-	7,264,796	-	7,264,796
Available-for-sale financial assets				
-Debt securities	-	59,151,371	-	59,151,371
-Equity investments	673,608	-	-	673,608
-Trusts and asset management plans	-	-	14,484,285	14,484,285
-Wealth management products issued by other banks	-	-	11,611,142	11,611,142
-Securities investment funds	-	19,024,374	-	19,024,374
Derivatives financial assets				
- Exchange rate derivatives	-	85,619	-	85,619
- Interest rate derivatives	-	140,611	-	140,611
- Precious metal	-	45,909	-	45,909
<b>Total financial assets</b>	<b>673,608</b>	<b>85,712,680</b>	<b>26,095,427</b>	<b>112,481,715</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	(117,823)	-	(117,823)
Derivatives financial liabilities				
- Exchange rate derivatives	-	(151,239)	-	(151,239)
- Interest rate derivatives	-	(135,588)	-	(135,588)
- Precious metal	-	(65,693)	-	(65,693)
<b>Total financial liabilities</b>	<b>-</b>	<b>(470,343)</b>	<b>-</b>	<b>(470,343)</b>
Item	Bank			
	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
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	-	262,765	-	262,765
- Interest rate derivatives	-	92,836	-	92,836
- Precious metal	-	20,096	-	20,096
<b>Total financial assets</b>	<b>1,514,547</b>	<b>60,620,352</b>	<b>45,355,905</b>	<b>107,490,804</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	(131)	-	(131)
Derivatives financial liabilities				
- Exchange rate derivatives	-	(755,159)	-	(755,159)
- Interest rate derivatives	-	(90,445)	-	(90,445)
- Precious metal	-	(34,686)	-	(34,686)
<b>Total financial liabilities</b>	<b>-</b>	<b>(880,421)</b>	<b>-</b>	<b>(880,421)</b>

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 2018	-	30,835,554	15,193,593	46,029,147
Total gain or loss recognised in				
- Profit or loss	-	1,229,986	(3,683,871)	(2,453,885)
- Other comprehensive income	-	(54,412)	239,658	185,246
Purchase/transfer in	-	17,130,000	23,016,347	40,146,347
Disposal/transfer out	-	(37,529,986)	(20,281,442)	(57,811,428)
Balance as at 31 December 2018	-	11,611,142	14,484,285	26,095,427

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 <sup>(Note)</sup>	(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	Bank			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 2018	-	30,835,554	14,520,351	45,355,905
Total gain or loss recognised in				
- Profit or loss	-	1,229,986	(3,680,629)	(2,450,643)
- Other comprehensive income	-	(54,412)	239,658	185,246
Purchase/transfer in	-	17,130,000	23,016,347	40,146,347
Disposal/transfer out	-	(37,529,986)	(19,611,442)	(57,141,428)
Balance as at 31 December 2018	-	11,611,142	14,484,285	26,095,427

Item	Bank			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	15,172,754	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

Note: The Bank holds shares of China Galaxy Securities Co., Ltd. (hereinafter referred to as "China Galaxy") totaling RMB 660,000, and China Galaxy was listed on the Shanghai Stock Exchange's A shares from the third level to the first One level on January 23, 2017.

## Notes to the Financial Statements

**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, Receivables investment, 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 2018		As at 31 December 2017	
	Fair value	Carrying amounts	Fair value	Carrying amounts
<b>Financial assets</b>				
Held-to-maturity investments	121,836,080	120,547,430	117,689,927	121,036,032
<b>Financial liabilities</b>				
Debt securities issued	23,228,122	23,375,798	22,482,609	23,099,042

Fair value of the aforementioned assets and liabilities is classified within Level 2.

**4. Capital management**

The Group calculates the capital adequacy ratio in accordance with the requirements of the China Banking Regulatory Commission's Capital Management Measures for Commercial Banks (Trial) and other relevant regulations. China Banking Regulatory Commission required commercial banks to meet the capital adequacy ratio requirements stipulated in the "Capital Management Measures for Commercial Banks (Trial)" before the end of 2018. For systemically important banks, China Banking Regulatory Commission required its core Tier 1 capital adequacy ratio to be no less than 8.50%. The capital adequacy ratio shall not be lower than 9.50%, and the capital adequacy ratio shall not be lower than 11.50%. For non-systemically important banks, China Banking Regulatory Commission requires that its core Tier 1 capital adequacy ratio should not be lower than 7.50%, the Tier 1 capital adequacy ratio should not be lower than 8.50%, and the capital adequacy ratio should not be lower than 10.50%. On December 31, 2018 and December 31, 2017, the calculation results of the Group's capital adequacy ratio met the relevant regulatory requirements.

The tables below summarise the capital adequacy ratio of the Group and Bank as at 31 December 2018 and 31 December 2017:

Item	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Net Core Tier 1 Capital	63,765,995	51,887,434	61,703,515	49,936,963
Net Tier 1 Capital	63,817,220	51,957,572	61,703,515	49,936,963
Net Capital	79,686,129	67,600,939	77,351,599	65,288,160
Risk-weighted assets	502,359,308	473,617,375	491,064,518	459,459,162
Core Tier 1 Capital Adequacy Ratio (%)	12.69	10.96	12.57	10.87
Tier 1 Capital Adequacy Ratio (%)	12.70	10.97	12.57	10.87
Capital Adequacy Ratio (%)	15.86	14.27	15.75	14.21

#### **XIV. RECLASSIFICATION OF COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to be consistent with the current year presentation.

#### **XV. FINANCIAL STATEMENTS APPROVED**

The financial statements were approved by the Board of Directors on 28 March 2019.

\* \* \* END OF FINANCIAL STATEMENTS \* \* \*

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Address: No.70, Zhongshan East Road, Huangpu District, Shanghai, China Tel: 021-61899999 Post: 200002