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Annual Report 2014

Shanghai Rural Commercial Bank

Strategic Start
Reform Transition

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2014 | SRCB
Annual Report

 上海农商银行 SRCB

2014 Annual Report



Based on statistics from "The Banker," a British magazine, SRCB improved its ranking from 212th to 189th among the 1,000 largest banks in the world in 2014 (ranking order is by tier-one capital). SRCB is now a Global 200 bank and ranked 20th amongst Chinese banks on the list.



You can scan above QR code via WeChat to obtain a WeChat version of this report.

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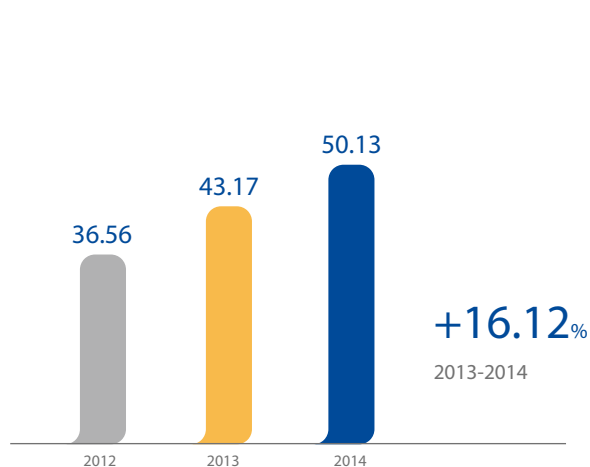
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3	Financial Statements and Report of the Auditors	
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Business Highlights

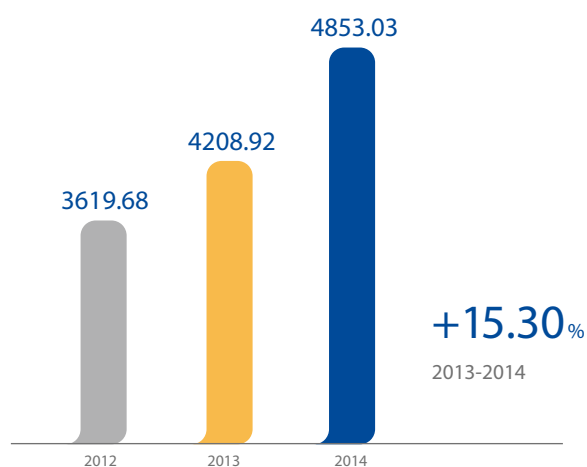
Net profit in the last three years

(Unit: RMB100 million)



Total assets in the last three years

(Unit: RMB100 million)



Rate of Return on Common Shareholders' Equity in the last three years

(Unit: %)



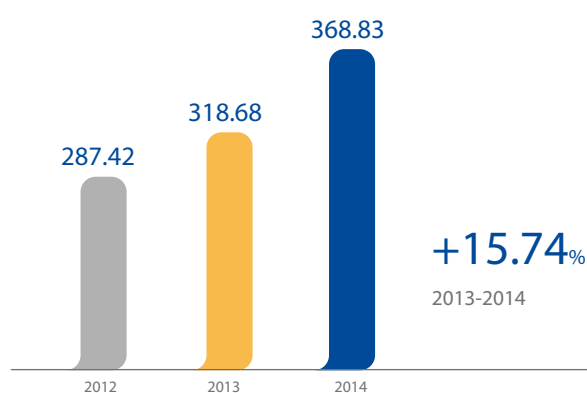
Net assets per share in the last three years

(Unit: Yuan/Share)



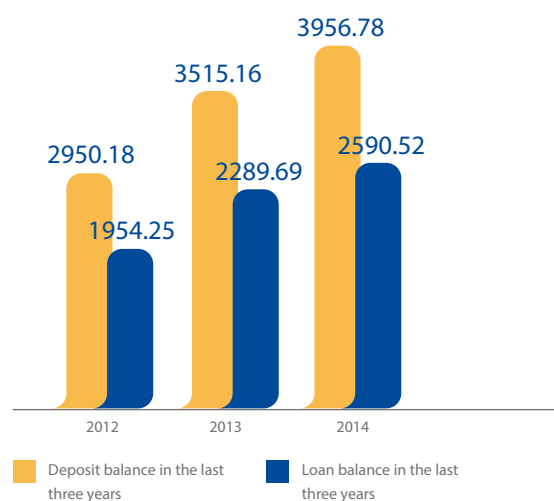
Shareholders' ownership interests of parent company over the past three years

(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: %)



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 2014 Annual Report of Shanghai Rural Commercial Bank Co., Ltd. has been reviewed and endorsed at the 24th meeting of the Second Board of Directors and at the 20th meeting of the Second Board of Supervisors.
- ▶ The 2014 Annual Financial Report has been audited by Deloitte & Touche CPAs, who have issued an audit report.
- ▶ This Report is issued in English and Chinese and the Chinese text shall prevail in the event of any inconsistency.

Board of Directors of Shanghai Rural Commercial Bank Co., Ltd.

30-Mar-15

Company Profile



- **Legal Chinese name of the Company:** 上海农村商业银行股份有限公司

Abbreviated Chinese name of the Company: 上海农商银行

Legal English name of the Company: Shanghai Rural Commercial Bank Co., Ltd.

Abbreviated English name of the Company: SRCB

- **Legal representative of the Company:** Hu Pingxi

- **The Secretary of the Board of Directors:** Liu Yongfen

Tel: 0086-21-38576709

Tel: 0086-21-50105085

Email: liuyf@srcb.com

Contact address: Office of the Board of Directors, 23F, No. 8 Middle Yincheng Rd., Pudong New District, Shanghai, China

- **Registered Address:** 15-20F and 22-27F, No. 8 Middle Yincheng Road, Pudong New District, Shanghai, China

Business Address: 15-20F and 22-27F, No. 8 Middle Yincheng Road, Pudong New District, Shanghai, China

Postal code: 200120

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

Email: webmaster@srcb.com

- **Newspaper for disclosing Company's information:** Shanghai Financial News, etc.

Internet website for publishing Company's annual report: <http://www.srcb.com>

Location for the Annual Report: Office of the Board of Directors

- **Other relevant information**

Date of initial registration: August 23, 2005

Corporate business license number: 310000000088142

Tax registration certificate number: HU310043779347314

Corporate code: 77934731-4

Appointed auditor: PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.

Address of the accounting firm: 11F, PricewaterhouseCoopers Center, No.202, Hubin Rd, Shanghai, China

Significant Events in 2014

JANUARY

SRCB was granted the "2013 Security Risk Prevention Role Model".

SRCB Call Center was granted the title of "Best Customer Service Center in Shanghai's Banking Industry" by Shanghai Banking Association.

SRCB was the only bank awarded "2013 Excellent Regional Commercial Bank" in the rural financial institution of China.

SRCB signed a comprehensive strategic cooperation agreement with the Eastday.com.

01



FEBRUARY

SRCB officially launched serial learning and development activities throughout the Bank.

SRCB kicked off the "2014 Communities Financial Knowledge Education and Culture Caravan Campaigns".

SRCB successfully launched the first wealth product tailored for aged people – "Hengtong – Friend forever", and successfully raised funds to its cap RMB 500 million.

SRCB was awarded "the 2013 Best Syndicated Loan Growth Organization Prize in Shanghai Banking Industry".

02



MARCH

SRCB held the 2014 1st Strategy Forum - Refining and Implementation of the New Three-Year Strategy - Reform, Innovation, Development.

SRCB Head Office Remote Monitoring Center in Zhangjiang Business Processing Center was put in production.

SRCB was awarded by the China Foreign Exchange Center the "Best Member Prize" and "Best Spot Trading Member Prize" in its 2013 excellent interbank FX trading member selection.

SRCB was awarded the "mobile banking platform with highest growth potential prize" in the "2013 Mobile Banking Platform Evaluation" jointly sponsored by Sohu Wealth Management and 360 Mobile Assistant.

SRCB was awarded "the 2013 special prize of system construction and technology support" issued by Shanghai Branch, China Banking Regulatory Commission.

SRCB was rated as Grade A in the SAFE Annual Bank Performance Review.

03



APRIL

04

SRCB launched the "Xinhushang Corporate Online Financial Service Community Platform".

Mr. Hu Pingxi, SRCB Secretary-General of the Party Committee and Chairman of Board, made special-topic speech at the 2014 2nd Strategy Forum, stating to "make great effort for ten aspects of transformation through strategic planning, branch transformation and sales driven efforts".

SRCB signed a bank-enterprise cooperation agreement with Xuhui Holding (Group) Co., Ltd.

Jiang Liming, Head of Cooperation Department, CBRC Beijing visited SRCB Free Trade Zone Branch.

SRCB completed the first precious metal leasing deal with ANZ.

The SRCB New Generation Banking System was awarded "2014 China Best Core Banking System Implementation Project" by the journal Asian Banker.



MAY

05

SRCB organized the "Outcome-driven - Work Style Improvement Campaign" in the Head Office to improve work style of the management.



JUNE

06

SRCB signed a bank-enterprise cooperation agreement with Shanghai Jinjiang Metropolo Hotel Management Co., Ltd.

A signing ceremony for the payment platform strategic cooperation agreement between SRCB and Digital China Information & Technology Service together with Rural bank of Zhongning County, Ningxia Province was held. The aim is to gradually establish and improve the rural bank agency payment platform.

SRCB successfully launched the "Finance eCloud Online Financial Service Platform".



JULY

07

SRCB kicked off the transformation of Online Banking Department into a Strategic Business Unit.

SRCB successfully completed the first large-amount (RMB 47.5 million) domestic L/C notice and documents delivery deal.

The SRCB Treasury Department was formally renamed as the Financial Markets Department.

SRCB was awarded the "Best Rural Commercial Bank" by Sina Finance News and was the only awarded rural commercial bank in China.

SRCB successfully completed the first RMB/FCY swap transaction with trading volume of USD 2.83 million.

Significant Events in 2014 (continue)

AUGUST

08

SRCB kicked off the transformation of Rural Bank Management Department into a Strategic Business Unit.

SRCB successfully completed the migration of Beicai Production System to Zhangjiang Data Center.

SRCB signed the Strategic Bank-Government Cooperation Protocol with the People's Government of Qingpu District.

SRCB was awarded the "2013 Best Small-to-Medium Bank - Best Financial Information Technology Safety Prize" by the journal Modern Bankers.

IT Department was divided into IT Department and Operational Assurance Department.

SRCB officially launched the interbank precious metal leasing business, and its precious metal leasing with Guotai Jun'an Securities became the first precious metal leasing with securities company in Shanghai region.



SEPTEMBER

09

The Grand Rural Commercial Bank (Shanghai) Collaborative Platform Launch Meeting was convened, which symbolized the official establishment of Rural Commercial Bank (Shanghai) Collaborative Platform initiated by SRCB and joined by 24 small-to-medium rural financial institutions.

The first issue of SRCB online wealth management product - "Xinyi Wealth Management Caifutong • Xingxiangshicheng" was launched. It is also the first online wealth management product designed by the Bank.

SRCB was awarded "the Quality Recognition Award" by JP Morgan Chase Bank, demonstrating the excellence in USD settlement, professional processing of SWIFT messages, and high-level direct access of payment business.

The SRCB developed performance assessment tool successfully went on live.

The SRCB remote centralized authorization system successfully went on live.



OCTOBER

10

SRCB electronic banking business made new breakthroughs. The number of personal internet banking customers, personal mobile banking customers, and corporate internet banking customers hit 1 million, 0.5 million and 0.1 million respectively.

SRCB was awarded the "Best Practice Prize for SOA Application" at the "IBM Cloud-Mobile-the Internet of Things Peak Forum and 2014 IBM Software Users Meeting".



NOVEMBER

11

SRCB launched the "Easy Yixiang Card" to Debi Industry Park, "Community Multi-Use Card" to Tianshan StarCity Community and "Caoyang Community Resident Card", symbolizing the pilot operation of "Community Multi-Use Card" project.

SRCB was awarded the "Excellent Call Center Service Prize of China Banking Industry".

SRCB received third prize team award in the 2014 information safety skill competition - management and operational assurance.

SRCB signed a framework cooperation agreement with Shanghai Branch, China Development Bank.



DECEMBER

12

SRCB successfully launched the outlet smart platform (phase I).

SRCB successfully completed the fund-raising for its first trust-product-based asset management plan targeting high net value clients. The total volume of the product was RMB 380 million with a maturity of 2 years.

SRCB was awarded the "Best Bank Website".

SRCB was awarded the "2014 Security Risk Prevention Role Model".

SRCB was awarded the "Outstanding Contribution Prize in Micro Business Financial Services".

SRCB was awarded the "Best Call Center in Shanghai Banking Industry".





Party Secretary and Chairman: **Hu Pingxi**

Chairman's Address

During 2014, we took into consideration of the complicated market environment and formulated new development strategies for the next three years. We pursued transformation-based development, promoted structural adjustment, pushed reform and innovation, and fought for quality and benefit. We actively took opportunities from challenges and enforced our strategies top-down. As a result, all of our businesses grew steadily and our set goals and tasks have been fully accomplished. By the end of 2014, SRCB Group assets totaled RMB 485.3 billion, with an increase of RMB 64.4 billion (15.30% year-on-year); deposit balance reached RMB 395.7 billion, with an increase of RMB 44.2 billion (12.57% vs. year-on-year); loan balance reached RMB 259.1 billion, with an increase of RMB 30.1 billion (13.14% vs. year-on-year); net profit reached RMB 5.013 billion, with an increase of 16.12%; ROA and ROE were 1.11% and 14.10% respectively, capital adequacy ratio was 13.25%, balance of non-performing loan was RMB 3.307 billion and non-performing loan ratio was 1.27%, decreased by 0.01 percentage point year-on-year; provision-to-loan ratio was 2.70% and loan provision coverage ratio was 212.50%.

During the year, our growth was driven by innovation and profit, and supported by technology and talent. Our vision is building SRCB into a "community and convenience bank". We followed our customer targeting strategy of "primarily SMEs yet supplemented by large corporate and personal customers", restructured our lending portfolio, and continuously supported the financing needs from medium, small, micro, agricultural, high-tech, trading business customers. SRCB Group's business layout continues to be perfected. We diversified our businesses through the community banking, online banking and rural banking network, and put great effort in becoming "comprehensive financial service provider", "online financial service provider", "professional investor in rural banks", "professional trader on the financial markets" and "technological operation service provider", and pulling growth momentum in "mass corporate", "mass retail", and financial markets businesses with continuous features and highlights. "Mass retail" initiatives are primarily target client product innovation, service improvement, cross-sales, and client loyalty enhancement, synergies in business development of community banking outlets, online financing and credit card business, active community integration for client expansion, which enabled us to quickly increase the proportion of retail loan out of bank's total loan portfolio and significantly optimize the assets structure. "Mass Corporate" initiatives include endeavour to consolidate and maintain all-in-one government accounts, penetration to industrial parks for medium-and-small enterprise customers expansion, improvement of industry financial service awareness and comprehensive finance service capabilities, enabling us to see substantial growth in syndicated loan, cash management and other emerging businesses. As for financial markets, we shifted our business strategy from assets-holding to assets-trading, properly enlarged operation leverage, increased high-yield asset allocation, sped up turnover of existing assets, and made new attempts like asset securitization, derivative products and market maker, and thereby leveling up earning contribution. Meanwhile, we initiated a series of reform initiatives such as "branch transformation and strong marketing", strategic business units setup, and refined management. We established rural commercial bank (Shanghai) collaboration platform, which led to enthusiasm of reform and innovation throughout the Bank and brought new energy and vitality to sustainable performance growth.

We continued to strengthen all-employees training to enhance our team quality with emphasis on work style improvement and talent retention. We comparatively selected and recruited people from the market given fair play, facilitated the promotion/demotion and entry/exit system, and established a two-level management backup which is in line with our business development needs. We conducted data governance, preliminarily established cost amortization and profit sharing system. Based on that, we improved performance review methods to establish performance-linked indicators at all levels and branches, effectively enhancing the vertical hierarchical enablement and promoting business transformation.

All our achievements cannot be accomplished without the support and trust from our massive amount of customers and all walks of life. I'd like to express my heartfelt thanks to them for the care provided to our growth!

2015 is a critical year for our nation's comprehensive in-depth reform. It's also the connecting year (second year) for our Bank's new three-year development strategy. The central economic working conference made an insightful statement on the new normal situation of economic development. For banking industry, new opportunities and challenges will continue to emerge as the economy growth enters a "speed-shift phase", the financing mode enters a "disintermediation phase", the Internet finance enters a "development phase", the interest rate liberalization enters into a "fermentation phase" and operational risks enter an "exposure phase". We'll take the initiative and adapt to the new normal situation of economic development and adhere to our strategic positioning. We will spare no effort in real economy, focus our work on asset integration of credit, channels, products, data, finance, technology and talents, further utilize assessment as the driven force, prioritize the limited resources to support key development areas, place emphasis on strengthening main business, providing flexibility on the market, optimizing specialized business, and expanding fee income business. We'll strengthen risk control, focus on refined management, take another big leap in deepening reform, continue to work on "quality and performance upgrade", and create more highlights and greater progress.

We hope our massive amount of clients and the community will continue to care for and support SRCB's development. We will further improve our service level and customer experience, fulfill our corporate social responsibility and reward back the shareholders and the all walks of life.

Chairman:

A stylized handwritten signature in black ink, likely belonging to the Chairman of the bank, positioned to the right of the 'Chairman:' label.



Deputy Party Secretary, Vice Chairman and President : Hou Funing

President's Address

In 2014, the Bank thoroughly studied and put into practice the guideline issued by the Third Plenary Session of the 18th CPC Central Committee. Focusing on the new three-year development strategy and the notion of profit, reform and innovation-driven, SRCB effectively promoted the development and management of various business lines, steadily increased our market share and improved our profitability.

The Group's balance of deposit in RMB and foreign currencies reached RMB 395.7 billion, with an increase of RMB 44.2 billion, up 12.57% year-on-year; the balance of loan in RMB and foreign currencies reached RMB 259.1 billion, with an increase of RMB 30.1 billion or by 13.14%; our RMB deposit market share (Shanghai) was 6.24%, RMB loan market share was 6.63%, increased by 0.36 and 0.31 percentage respectively. SRCB Group made a net profit of RMB 5.013 billion, with an increase of RMB 696 million or by 16.12%. SRCB Bank gained non-interest income of RMB 2.001 billion, with an increase of RMB 590 million or by 41.81% compared with the previous year. Such income accounted for 14.09% in the operating income, an increase by 1.49 percentage points compared with the previous year.

We made sure our strategy planning was practical by focusing on the goals and tasks on growing into "comprehensive financial service provider for micro-small-and-medium enterprises and community residents", "online banking financial service provider", "professional investor in rural banks", "professional trader on the financial markets" and "technological operation service provider".

We boosted our community bank construction, and the number of our community bank outlets reached 274. By adhering to serving the micro-small-and-medium enterprises, rural areas including agriculture industry and farmers and the real economy, we continued to optimize our assets structure. Our balance of micro-small-and-medium enterprises loan in national standards reached 144.663 billion, meeting regulatory requirements on growth rate. By providing more credit support to rural areas including agriculture industry and farmers, our agriculture-related loan balance reached RMB 60.25 billion, occupying over 30% of self-funded loan. We completed our Online Banking Strategic Business Unit setup and promoted electronic transaction system upgrade. We put a lot of effort in asset management development, and our financial market business revenue grew steadily. With joint effort from 24 rural financial institutions, we established the Rural Commercial Bank (Shanghai) Collaboration Platform to explore a new mode for interbank cooperation. We received licenses for trial market maker of interbank debt market, interbank large-ticket transferable deposit certificate, RMB interest rate swap and centralized settlement, and precious metal leasing, and qualification as member of Market Interest Rate Pricing Control Committee and member of Shanghai Equity Exchange. We took the initiative to face the challenges and steadily promoted our emerging business. Construction of direct banking and online banking had taken initial shape. We steadily developed our cross-border business to meet the needs in Shanghai Free Trade Zone pilot. We diversified debt resources, issued interbank large-ticket transferable deposit certificate and obtained re-loan from the Central Bank for small enterprises support.

Refining management was steadily promoted and operation capacity continued to increase. In order to promote the construction of enterprise risk management system, we established risk appetite system in levels of the group, legal person and rural banks, and enabled matrix risk reporting line system, continuously strengthened credit risk, market risk, and liquidity risk management and also maintain the overall asset quality. We developed payment and settlement system, standardized branch management criteria, and piloted the smart platform at branches. System maintenance and management was strengthened and the new generation banking system ran smoothly. Independent treasury function was set up and the internal funds transfer pricing system was fully implemented. We completed the rural bank management strategic business unit setup and improved rural bank management efficiency. The 35 rural banks we initiated and established achieved overally stable business development and their net profit totaled RMB 332 million, increased by 54.42% over the previous year, and ROA was 13.91%.

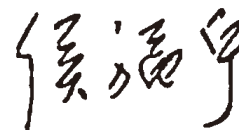
In 2015, we will thoroughly put in practice the guideline issued by the Third and Fourth Plenary Meetings of the 18th CPC, Central Economic Working Conference and the 7th Meeting of Shanghai Municipal Party Committee. We'll embrace the challenges and opportunities from the comprehensive in-depth reform, operate prudently, develop rationally, position differently and refine our management. We will deepen our strategy execution, strive to achieve our set goals, and accelerate our business transformation and development.

We will improve our community banking functions, innovate in products and services. We'll adhere to serving real economy, focus on building a professional industry-oriented marketing team around small, micro, and agriculture enterprises, and support industrial structural adjustment. We will support Shanghai's effort to become a technology innovation center with world influence, deepen the construction of "1+X" technology and financial service system, and increase our support for Shanghai Government's economic development policy of "new technology, new industry, new business and new model". We'll support urbanization, rural area infrastructure build, rural system restructuring, and modern agricultural development, and Shanghai Government's call on "financial services support to communities/rural areas/farmers", and facilitated the pilot in Shanghai a new loan product for farmers – loan secured by rural land with borrowers owning rights of use. We'll embrace the opportunity of RMB internationalization and Shanghai Free Trade Zone expansion, and build our unique cross-border financial service system. Whilst focusing on mobile banking platform, we will build online payment, financing, asset custody and agency asset management platform to speed up direct banking platform construction, improve the online community banking functions, achieve integrated development of traditional banking and online banking, as well as effective synergy between online banking and community banking service. We'll be flexible in financial market business to increase revenue and improve asset turnover efficiency. We'll promote assets securitization to speed up development of asset management business and explore new models for asset allocation. We'll push to develop bill business and feature in "Xinyi Discounting" business. We'll develop more FI balance sheet products and expand funding channels. We'll deepen the Rural Commercial Bank (Shanghai) Collaborative Platform development.

We'll increase our refined management capacity. We will strengthen our enterprise risk management system construction, properly develop risk appetite and risk limits, expand risk management coverage, strengthen the end-to-end credit risk management process and accountability system, and roll out the Internal Ratings-based Approach project results. We'll improve the system development and management capabilities. We'll optimize business procedures and improve customer and teller experience. We'll strengthen budget management, clarify the internal profit and cost distribution mechanism. We'll actively embrace the reform of "directing business tax into VAT" in the financial industry and complete all preparation work. We'll leverage the management advantage of the rural bank management strategic business unit to prioritize investment return and strengthen the management, service and coordination functions. We'll form a rural bank management model with our own specialties.

In 2015, under the leadership and direction of Shanghai municipal Party committee, municipal government, Party committee of Shanghai Finance Service Office, Shanghai Financial Service Office and financial regulatory bodies, and with the care of the community, we will adhere to reform and innovation, speed up transformation development, continue to differentiate ourselves and promote our bank to take another step in our reform and development.

President:





Deputy Party Secretary, Party Secretary of the Discipline Committee and Director: **Shen Xunfang**



Vice President: **Shen Xingbao**



Vice President: **Ye Guorong**



Vice President: **Li Jin**



Vice President: **Jin Jianhua**



Vice President: **Shi Meiliang**



1

Innovation-Driven, Profit-Oriented, Supportive of Technology, Talents-Based Bank Rejuvenation

Summary of Accounting Data and Financial Indexes	20
Management Discussion and Analysis	24



A 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

Changes in Shareholder Equity during the Reporting Period



I. Key Financial Data during the Report Period

Unit: RMB 1000 Yuan

Item	The Group		The Bank	
	Reporting Period	Increase/decrease vs. the previous year	Reporting Period	Increase/decrease vs. the previous year
Total profit	6,166,876	16.67%	5,752,083	14.24%
Net profit attributable to shareholders of the parent company	4,848,224	15.02%	4,704,536	14.31%
Net profit attributable to shareholders of parent company after deducting non-recurring profits and losses	4,594,431	14.29%	4,553,284	13.56%
Operating profit	5,977,961	16.84%	5,663,655	14.34%
Investment return	739,735	59.46%	750,069	60.78%
Net non-operation expense and expenditure	188,915	11.38%	88,428	8.42%
Net cash flow from operating activities	15,758,284	-30.69%	14,236,344	-35.03%
Net increase of cash and cash equivalents	-4,757,843	-156.51%	-6,153,208	-188.56%

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

Unit: RMB 1000 Yuan

Item	The Group				The Bank			
	2014	2013	Increase/decrease	2012	2014	2013	Increase/decrease	2012
Operation revenue	14,151,303	11,188,340	26.48%	10,870,670	13,222,086	10,540,259	25.44%	10,741,232
Net profit attributable to shareholders of the parent company	4,848,224	4,215,122	15.02%	3,724,416	4,704,536	4,115,659	14.31%	3,801,144
Total assets	485,303,181	420,892,309	15.30%	361,983,349	466,600,941	406,484,600	14.79%	356,205,353
Deposit balance	395,678,145	351,516,124	12.56%	295,017,698	375,124,619	335,230,709	11.90%	286,617,116
Loan balance	259,051,673	228,969,094	13.14%	195,425,380	246,320,937	218,952,326	12.50%	191,487,597
Owner's equity attributable to shareholders of the parent company	36,882,791	31,868,250	15.74%	28,741,996	36,697,892	31,827,038	15.30%	28,800,248
Basic earnings per share attributable to shareholders of the parent company (Yuan)	0.97	0.84	0.13	0.74	0.97	0.82	0.15	0.76
Basic earnings per share attributable to shareholders of the parent company after deducting non-recurring profits and losses (Yuan)	0.92	0.80	0.12	0.70	0.93	0.81	0.12	0.72
Net assets per share attributable to shareholders of parent company (Yuan)	7.38	6.37	1.01	5.75	7.34	6.37	0.97	5.76
Net cash flow from the operating activities per share (Yuan)	3.15	4.55	-1.40	1.30	2.85	4.38	-1.53	1.36
Cost-to-Income ratio (%)	38.26	38.85	-	39.39	38.17	38.33	-	37.75
Weighted-average return on net assets (%)	14.10	13.91	-	13.87	13.73	13.58	-	14.14
Weighted average return on equity after deducting non-recurring profits and losses (%)	13.69	13.49	-	13.03	13.54	13.38	-	13.38

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

Unit: RMB 1000 Yuan

Item	The Group			The Bank		
	2014	2013	2012	2014	2013	2012
Opening balance	7,508,843	6,812,339	5,273,882	7,251,733	6,712,874	5,267,709
Accrued from profits or losses during the year's reporting period	1,938,580	991,317	1,640,381	1,725,431	833,670	1,547,089
Other transfer-in during the reporting period	675	7,631	3,854	675	7,631	3,854
Recovery during the reporting period	23,384	3,762	1,337	23,384	3,762	1,337
Transfer-out during the reporting period	-122,532	-64,025	-53,351	-122,247	-64,023	-53,351
Cancellation after verification during the reporting period	-742,973	-242,180	-53,763	-742,953	-242,180	-53,763
Closing balance	8,605,997	7,508,843	6,812,339	8,136,022	7,251,734	6,712,874
Balance of provision for loan losses	7,034,046	5,948,076	5,522,799	6,564,072	5,690,966	5,423,334
Provision during the reporting period	1,902,276	713,669	642,312	1,689,127	556,022	549,020
Transfer-in during the reporting period	24,059	11,393	5,191	24,059	11,393	5,191
Cancellation after verification during the reporting period	-742,953	-235,760	-46,079	-742,953	-235,760	-46,079
Transfer-out during the reporting period	-97,412	-64,025	-53,351	-97,127	-64,023	-53,351

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

Unit: RMB 1000 Yuan

Item	The Group			The Bank		
	2014	2013	2012	2014	2013	2012
Total liabilities	447,159,670	387,903,693	332,383,281	429,903,049	374,657,561	327,405,105
Deposit balance	395,678,145	351,516,124	295,017,698	375,124,619	335,230,709	286,617,116
Total interbank borrowing	1,902,868	2,044,646	6,364,387	1,902,868	2,044,646	6,364,387
Loan balance	259,051,673	228,969,094	195,425,380	246,320,937	218,952,326	191,487,597
Wherein: Corporate loans	171,000,300	157,983,712	144,819,353	163,359,297	152,118,784	142,409,787
Discount	55,360,507	46,335,819	31,258,628	55,358,807	46,335,819	31,254,008
Personal loans	32,690,866	24,649,563	19,347,399	27,602,833	20,497,723	17,823,802

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

Unit: RMB 1000 Yuan

Item	The Group			The Bank		
	2014	2013	2012	2014	2013	2012
Operating profit	5,977,961	5,116,315	4,280,611	5,663,655	4,953,348	4,476,308
Net profit attributable to shareholders of the parent company	4,848,224	4,215,122	3,724,416	4,704,536	4,115,659	3,801,144
Net profit attributable to shareholders of parent company after deducting non-recurring profits and losses	4,706,538	4,087,913	3,498,531	4,638,215	4,054,489	3,596,634

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

Item	Standard value	The Group			The Bank		
		2014	2013	2012	2014	2013	2012
Capital adequacy ratio	≥ 10.5%	13.25%	14.74%	14.51%	12.64%	14.12%	13.95%
Tier 1 capital adequacy ratio	≥ 8.5%	12.10%	13.10%	12.71%	11.55%	12.45%	12.15%
Core capital adequacy ratio	≥ 7.5%	12.10%	13.10%	12.71%	11.55%	12.45%	12.15%
Liquidity ratio (RMB)	≥ 25%	36.91%	46.52%	43.47%	37.33%	46.28%	44.36%
Foreign currency		92.01%	105.57%	52.77%	92.01%	105.57%	57.11%
Deposit-to-loan ratio (RMB)	≤ 75%	65.85%	65.34%	66.11%	66.07%	65.53%	66.67%
Foreign currency		60.46%	88.53%	173.64%	60.46%	88.53%	173.64%
Non-performing loan ratio	≤ 5%	1.27%	1.28%	1.26%	1.31%	1.33%	1.28%
Loan provision ratio		2.72%	2.60%	2.83%	2.66%	2.60%	2.83%
Provision coverage ratio		212.50%	202.01%	224.79%	202.06%	194.57%	221.04%
Percentage of loans to the largest customer	≤ 10%	4.92%	5.83%	4.76%	5.28%	5.83%	5.00%
Percentage of loans to the top ten customers		28.62%	32.74%	28.36%	30.69%	32.74%	29.85%

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

Unit: RMB 1000 Yuan

Item	The Bank		
	31-Dec-14	31-Dec-13	31-Dec-12
Net capital	38,555,993	34,732,650	31,414,425
Core Tier 1 net capital	35,240,534	30,616,504	27,340,977
Tier 1 net capital	35,240,534	30,616,504	27,340,977
Total weighted risk assets	305,089,300	245,989,614	225,116,975
Core Tier 1 capital adequacy ratio	11.55%	12.45%	12.15%
Tier 1 capital adequacy ratio	11.55%	12.45%	12.15%
Capital adequacy ratio	12.64%	14.12%	13.95%

VIII. Changes in Shareholder Equity during the Reporting Period

Unit: RMB 1000 Yuan

Item	The Bank					
	Paid-up capital	Capital reserve	Surplus reserves	General provision	Undistributed profit	Total equity of shareholders
Opening balance	5,000,000	7,738,201	6,136,030	3,578,033	9,374,775	31,827,039
Closing balance	5,000,000	8,111,058	7,404,874	3,968,461	11,719,715	36,697,892

B 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) Operating revenue, operating profit, net profit, cash and cash equivalents increase

Unit: RMB 1000 Yuan

Item	The Bank		
	Reporting Period	Same period last year	Increase/decrease
Operation revenue	13,222,086	10,540,259	2,681,827
Operating profit	5,663,655	4,953,348	710,307
Net profit attributable to shareholders of the parent company	4,704,536	4,115,659	588,877
Increase in cash and cash equivalents	-6,153,208	6,948,449	-13,101,657

(II) Comparison of total assets and shareholders' equity at the opening and at the closing of the reporting period

Unit: RMB 1000 Yuan

Item	The Group			The Bank		
	Reporting Period	Same period last year	Increase/decrease	Reporting Period	Same period last year	Increase/decrease
Total assets	485,303,181	420,892,309	64,410,872	466,600,941	406,484,600	60,116,341
Owner's equity attributable to shareholders of the parent company	36,882,791	31,868,250	5,014,541	36,697,892	31,827,039	4,870,853

II. Company Operation

(I) Company's business scope

Public deposit absorption; issuing short-term, medium-term and long-term loans; foreign and domestic settlements; acceptance and discount of bills; acting as an agent to issue, cash, and underwrite government bonds; purchase and sales of government bonds and financial bonds; interbank lending/borrowing; bank card services; foreign currency deposit; loans and remittance; international settlement; interbank lending/borrowing in foreign currency; credit check, consulting and witness services; acting as an agent to make collections and payments, safety deposit box services, and other services approved by CBRC including foreign exchange service.

(II) Company operations review

1. Completion status of key business indicators

During the reporting period, the Company conscientiously studied and put into practice the guideline issued by the Third Plenary Session of the 18th CPC Central Committee while facing the complicated economic and financial situations. Focusing on

the new three-year development strategy and the notion of profit, reform and innovation-driven, SRCB effectively promoted the development and management of various business lines, steadily increased our market share and improved our profitability. Visible progress was made in transformation development.

—The Group's net profit reached RMB 5.013 billion, with an increase of RMB 696 million, up by 16.12% over the previous year. ROA was 1.11% and ROE was 14.09%.

—The Group's deposit balance in RMB and foreign currencies was RMB 395.678 billion, increased by RMB 44.236 billion over the beginning of the year, up by 12.56%. Among which, corporate deposit balance was RMB 207.933 billion, with an increase of RMB 24.599 billion or 13.42% over the beginning of the year; personal deposit balance was RMB 187.745 billion, increasing by RMB 19.563 billion, or up by 11.63% over the beginning of the year.

—The Group's loan balance in RMB and foreign currencies was RMB 259.052 billion, increased by RMB 30.083 billion, or up by 13.14% over the beginning of this year.

—The balance of non-performing loans (the latter three

categories of loans according to the PBOC five-category asset classification rules) of the Company was RMB 3.307 billion, with an increase of RMB 362 million over the beginning of the year. The ratio of non-performing loans was 1.27%, with a decrease of 0.01 percentage point over the beginning of the year.

—Provision made by the Group was RMB 1.939 billion. Loan provision coverage ratio was 212.50%, provision to loan ratio was 2.72%, and capital adequacy ratio was 13.25%.

2. Operation of all lines of business

Development of corporate banking business

During the reporting period, the Company deepened its reform, sped up its innovation, and optimized the financial service propositions. We adhered to the market orientation of SME/micro enterprises as our key customer base, accomplished the growth targets and ranked ahead among Chinese and foreign banks in Shanghai (legal persons and branches). We improved the service quality, took hold of the "emerging, specialized and delicate" financial demands of SMEs in Shanghai, and target a number of customers for batch sales. We promoted specialized SME team construction, formed industrial park financial services capabilities to cover 118 important industrial parks corresponding to "104 industrial conglomerate", and our volume of SME accounts and asset business grew steadily. We made considerable effort in marketing all-in-one deposit account at county/town-level governments and actively participated in bidding for Shanghai Government deposit business, greatly stimulated the corporate deposit increase. We expanded services to rural areas including agriculture industry and farmers, supported development of new agricultural business entities and strengthened agriculture-related product innovation and service innovation to bring the ripple support effect. We further regulated fee income services and expanded our fee income service sources. We fully expanded our enterprise cash management business and our corporate wealth management business developed steadily. We offered comprehensive business training for all levels of staff to enhance our market competitiveness.



Development of retail banking business

During the reporting period, the Company actively developed the following three kinds of important platforms: Financia kiosks, micro business loan platform, and wealth management centers. As of the end of December, the Company saw its RMB deposits

grow to RMB 179.685 billion, with an increase of RMB 16.087 billion over the beginning of the year. Personal loan balance was RMB 26.258 billion, with an increase of RMB 6.871 billion over the beginning of the year. Micro business loan with ticket size less than (or equal to) RMB 5 million was RMB 16.414 billion, with an increase of RMB 2.925 billion from the beginning of this year. Numbers of micro business loan accounts less than (or equal to) RMB 5 million reached 6219, increasing by 815 from the beginning of this year. The Bank also disbursed an accumulative RMB 15.878 billion of housing fund loans, ranking the first among the 18 banks in Shanghai. Retail fee income in 2014 was RMB 273 million. Agency insurance sales volume reached RMB 2.569 billion. Consignment sales of certificate treasury bonds and saving treasury bonds totaled RMB 2.321 billion. A total of 617 issues of wealth management products were launched, accumulating funds of RMB 75.281 billion. Fund consignment sales reached RMB 1.584 billion. POS machines were increased by 1455. Foreign exchange settlement and sale totaled USD 82.5664 million. Agency social security funds release totaled RMB 13.604 billion, including the issue of 8.4889 million service cards (among which 1.2096 million were labor union cards). 380 ANZ pre-account opening applications were completed at SRCB. We opened 274 community banking outlets, standardized the management, and shaped a rather comprehensive community banking service platform. We made considerable effort in penetrating the communities, and connecting with governmental departments and various social organizations in order to integrate our community banking financial services into the existing community management system. The Company organized education campaigns for investors and fulfilled corporate social responsibility. We initiated and organized activities such as the "Banking Knowledge Literacy Program", "Banking Knowledge Sharing Month", "Banking Knowledge Family Education Program" as well as "The Culture and Awareness Program on Banking", leveraging various media and channels to educate the general public.



Development of the trade financing business

During the reporting period, the Company continued to promote the joint development of RMB and foreign currency business; accelerate the development of trade financing business; form synergistic effect from market expansion, capital operation, promotion of free trade zone construction, FI cooperation, product innovation and risk control. As a result, our trade financing business has been growing continuously and customer experience was greatly enhanced. The total trade financing volume for the year amounted to USD 1.85 billion and the international settlement volume reached USD 8.57 billion, increasing by 4.5% on a year-on-year basis; trade financing fee income was RMB 81.9 million and foreign currency deposit balance was USD 339 million, representing a year-on-year increase of 27.8% and 4.3% respectively. We further expanded the business scope on foreign currency derivative products, including the launch of customer swap. SRCB's transaction volume at the foreign exchange trading center reached USD 76.7 billion, with a year-on-year increase of 105% and a rank of 35th in spot trading. We promoted the free trade zone business development, closely interacted with branches for on/off-shore businesses, and launched new businesses including cross-border RMB loan and fully pledged loan under NRA deposit. We further strengthened interbank cooperation by expanding channels and actively setting up agency interbank business platform. We combined traditional trading finance with online banking, increased application channels and improved the customer experience.

Development of online banking business

At the end of the reporting period, SRCB fee income reached RMB 294 million, with a year-on-year increase of 21%. Registered users of corporate internet banking platform reached 107,402, increased by 28% over the previous year. Registered users of personal internet banking platform reached 1,016,642, a year-on-year increase of 53%. Registered users of corporate telephone banking reached 56,147, a rise of 0.5% over the previous year. 98 new ATMs (including CRSs), 20 new multi-media self-service terminals, 18 new internet banking servers and 19 new direct-dial call center telephones were put into use. Average daily clicks on our Chinese website exceeded 8.5 million, the number of daily visitors reached 48,000; telephone banking business transactions reached 5.298 million, including 1.39 million manual services. Usage of online customer service totaled 56,200. A total of 59.584 million internet banking transactions amounting to RMB 1,347.35 billion were conducted. During the reporting period, we made great effort to expand e-banking channels, self-service machines, mobile terminals, customer service centers and other channels and resources, took the opportunity of mobile banking business and placed emphasis on the synergy among "Internet banking platform, mobile banking platform, and cards network" to enable positive interaction between traditional financing business and innovated online banking platforms. We upgraded functions in the internet banking, mobile banking, e-commerce, and bank-

enterprise settlement express systems; adapted auto-service machines and launched mobile banking cash management service; optimized functions of the online shop mall and portal website, initiated the development of mobile portal website system, constructed the corporate online banking platform, and developed and trial ran the direct banking system (phase I). We also organized a series of marketing campaigns to promote our brands and business. We improved the online banking policy framework and business management, and prevented online transaction risk. We maintained the service quality of our call center and upgraded functions of the telephone banking operation and service system.



Development of credit cards business

By the end of the reporting period, the Company issued 91,500 new credit cards, and recorded operating revenue of RMB 170 million, with a year-on-year increase of 45%. Income from credit card fees amounted to RMB 110 million, with a year-on-year increase of 60%. The full-year turnover grew 34% to RMB 11.6 billion. During the reporting period, SRCB leveraged online banking development opportunities and strengthened cooperation with third-party payment companies to launch Tenpay and Suning Payment functions online. We optimized "Xiaofuxin" WeChat credit card service platform and greatly increased the brand awareness on which. The general SRCB Wechat Platform also saw rapid growth of users to over 130,000 and exerted bigger public influence. We explored new models of products and services, and launched the "Xinyijin" credit card installment business to meet customer demands; opened up new credit card application channels such as applying SRCB Platinum Travel Card through TV shopping mall; provided various high-end value-added services to China Union Pay personal gold card holders, and; actively promoted Labor Union membership IC card after its go-live. In order to push up business volume, we expanded card issue channels, promoted cross-sales and improved end-to-end sales and service system. We leveraged our branch network including community banking outlets and kiosks to provide community credit card service, also part of the effort to promote the SRCB brand.



Financial markets business development

During the reporting period, SRCB well adapted to the market through product/operation innovation and successfully increased the margin of its financial market business, as part of the Bank's business transformation initiative to implement new three-year development strategy and maximizing risk-adjusted return. In terms of proprietary trading, the Bank correctly tagged initiatives into the market trend, and strategically converted from assets-holding to assets-trading whilst maintaining proper assets pool structure securing solid return. We attempted to be market maker in the inter-bank bond market, issued interbank deposit slips, involved in precious metals leasing and interest rate swap transactions to mitigate the influence of falling market yield on proprietary trading revenue and further optimize the funds operation structure and revenue structure. In terms of asset management, the Bank focused on customer experience improvement and product upgrade to align with convenience banking strategy. We promoted in-depth development of wealth management business from mass wealth management service to HNW customer wealth management and asset management. We differentiated ourselves by prioritizing the development and roll-out of community pension products, specialized kiosk products, public holiday specialty products, VIP tiered products and net-asset-value-based products. We enforced stronger synergy between financial markets and corporate banking businesses through mixing regular products and customized products, and launched capital-guaranteed/non-capital guaranteed cash management products. We diversified internet banking transaction channels, including the launch and roll-out of "Xinxiang Shicheng" featured product to align with online banking development trend and succeeded in size and profit growth. In terms of bill discounting business, we adhered to our strategic positioning of "primarily SME customers supplemented by large corporate and micro/agricultural business customers"; endeavoured to active sales and strong business management; successfully developed "Xinyitie" micro business discounting specialized products, supported bill financing demand of micro businesses and was recognized by the Shanghai government and market.

FI business development

By the end of the reporting period, the Company had a balance of RMB interbank borrowing and interbank financial asset investment totalled RMB 21.954 billion, incurring net interest income of RMB 1.096 billion and fee income of RMB 32.08 million, increased by 267.33% on a year-on-year basis. SRCB has a 231 FI customers contributing RMB interbank deposit (total balance and daily average balance) of RMB 14.387 billion and RMB 15.335 billion respectively. During the reporting period, FI business was transformed from pure deposit to a comprehensive portfolio of deposit, loan, and fee income business. The percentage of non-banking and non-local financial institutions has increased considerably and cross-region business operation was achieved. In September, SRCB, together with 24 small-to-medium rural financial institutions, jointly launched the Rural Commercial Bank (Shanghai) Collaborative Platform. Cooperation agreements on liquidity aid and credit facility offering were signed and members enjoyed information sharing, risk mitigation, resources leveraging, and joint business transformation. This marked a new step for SRCB's FI cooperation.



Development of fee income business

During the reporting period, the Bank adhered to innovative development and gradually regulated fee income business. Contribution to income saw great increase from insurance, wealth management, funds, precious metals, special asset management plan in the retail banking line. Cross-sales was conducted with great effort, and as a result, the number of clients using over three kinds of products increased by 171% compared with 2013. Registered users of corporate internet banking and registered users of personal internet banking reached over 100,000 and 1 million respectively. Registered users of corporate mobile banking and personal mobile banking reached 22,000 and 600,000 respectively. Registered WeChat bank users reached 73,000. We enabled a functional upgrade of electronic channels like online banking, online payment and mobile banking. Credit cards fee income went over RMB 100 million, and the number of clients using our WeChat platform went over 130,000. Within the corporate fee income business, SRCB was lead underwriter of 42% of the syndicate loan. Cash management business has been developing steadily and so it was with derivatives trading business (70 customers under trading agreement).

Development of branch network

During the reporting period, the Company opened 14 new branches. By the end of the reporting period, the Company had 407 outlets in total, including 400 local outlets, among which, 42 outlets were within the Inner Ring Road, 52 outlets between the Inner Ring Road and the Middle Ring Road, 61 outlets between the Middle Ring Road and the Outer Ring Road, 245 outlets beyond the Outer Ring Road, plus; 7 non-local outlets.

IT development

During the reporting period, the Bank improved its IT framework under the strategy of "prudent advancement and innovation". We set up the IT staff matrix reporting line system, improved IT performance review system, and enhanced IT management capacity. We greatly supported business transformation, completed the development of the second generation payment system of PBOC. We promoted community banking, online banking, Free Trade Zone business information system build, and our data governance project saw preliminary results. We actively enable independent system development and IT innovation (e.g. launch of e-cloud financial platform). We strengthened operational assurance, strictly controlled IT risk, and completed the relocation of Beicai production system and its integration with Zhangjiang Data Center, which now operates as an independent production center. We resolved the loopholes in the disaster recovery system, organized various emergency drills, and improved the IT monitoring framework comprising of system, network and environment. We continued to optimize rural bank operational assurance and promoted the setup of remote disaster recovery centers of rural banks to support their business development.

Development of rural banks

During the reporting period, the 35 rural banks established by SRCB grew steadily with a net profit of RMB 332 million, an increase by RMB 117 million or by 54.42% compared with the previous year. The deposit balance was RMB 20.554 billion, and the loan balance was RMB 12.731 billion. Loan-to-deposit ratio was 61.94%. Loans to farmers and micro business accounted for 94.44%, and average loan per account was RMB 1.2228 million. Capital adequacy ratio and non-performing loan ratio were 20.40% and 0.46% respectively. We opened 12 new branches and now have 49 outlets in total. As the initiator, SRCB actively performed its duties as a major shareholder, and set up the rural bank management strategic business unit. Driven by target of higher investment return, SRCB focused on risk control and prevention, and helped rural banks achieve great progress in business operation and management, in particular, product and business innovation, the introduction of micro loan system, launched 28 tailor-made loan products like "Huizhong Loan" and "loan deposit pool" etc., as well as deposit products like agreement deposit and tiered deposit etc. We helped rural banks launch the mobile service terminal and "Xinyi Payment Wallet"; upgraded internet banking, large-amount payment and rural financial institution payment systems; added 17 functions like bank-enterprise reconciliation, text message reminders

on account changes, and; optimized payment and settlement channel. We also guided rural banks to build compliance team and streamline its policy system and standardize legal documents review process to ensure full compliance. We helped rural banks optimize risk early warning system by improving warning issued and follow-up mechanism; strengthen the credit approval system of rural banks and established non-performing loan accountability mechanism to improve credit risk management capacity; establish a 3-level fraud/violation prevention system for rural banks to identify responsible party and enforcement of policies and rules; complete the signing of information technology vendor agreement to outsource the development and operation assurance of rural banking systems; launch HR management system and information management system and complete interfacing with external credit records system. Vendors were properly managed to ensure safe and stable operation of rural banks' production system. We helped rural banks establish a multi-level training system to help improve staff capability; organize provincial-level-or-above market campaigns and build the image of rural banks as "community friendly and convenience". We directed rural banks to strengthen their management team, avoid corruption and foster a healthy work style.



Risk management

First, we continued to improve the risk management organizational structure, pushed forward the matrix reporting line system setup, and reinforced the independence as well as business development support of risk management line. Our effectiveness in risk management measures was continuously enhanced and risk management system support was strengthened. Second, we optimized our risk appetite strategy and control indicator system of 2014 and leveled up the enterprise risk management framework. Third, we strengthened credit risk management and dedicated credit approval officer team. We pushed forward the implementation of new Basel Accord internal-based rating approach (IRB) project results and worked toward a

more delicate risk management system. We continued to focus on risk control over real estate loans, local government financing vehicle loans, lending to excessive-production-capacity industries and other key risk areas, and stabilized credit asset quality. We strengthened research on industry assets writing strategy and increase forward-looking perspective. We actively expanded new businesses, reduced lending to excessive-production-capacity industries, encouraged lending to environmental friendly industries, and prioritized support to all forms of modern agriculture. We restricted or prohibited from lending to industries exerting high pollution and emission / knock-out industries / excessive-production-capacity industries released by the Ministry of Industry and Informatization. In particular, we restricted from entering into the solar panel and wind power generation equipment manufacturing industries (both under excessive-production-capacity problem).

Internal control management

During the reporting period, the Company continued to strengthen internal control system construction, improved risk management organization structure, pushed forward matrix reporting line system setup, optimized the operation mechanism of credit approval committee, built dedicated credit review/approval team, deepened branch credit approval officer / accounting officer assignment and dedicated compliance manager, and set up risk manager teams throughout the Bank. We improved the management framework for operational risk management, stress tests, outsourcing risk management, operational risk management review, etc. Following the delicate management strategy, we revisited the policies, management structure, management tools and management contents on authorization. We facilitated long-term fraud/violation prevention mechanism setup, adjusted fraud/violation organizational structure and formulated work methods, accountability policies and review rules. We revised job rotation, blocked leave, accumulative violation pointing system, strengthened supervision and direction of outlet fraud/violation prevention and carried out screening check on employee illegal fund-raising. We strengthened system control, initiated the integration of accounting risk early warning system and post-event tracking system, and upgraded the CMIS credit risk early warning module. We established professional assessment system for legal risks, carried out risk rating and prudence self-assessments and improved internal control capability. We focused on strategy implementation, integrated auditing resources throughout the Bank, carried out auditing on financial liability, position-leaving, IT and new non-performing loan liabilities, and non-performing loan write-off. We formulated detailed rules for non-performing loans accountability management, improved non-performing loan violation accountability mechanism, pushed forward effective implementation for violation handling rules and regulations and reinforced the identification of responsibilities through auditing.

Compliance management

During the reporting period, the Company actively implemented regulatory requirements, continued to improve the compliance management mechanism in particular the identification and

control of compliance risks under the principle of "prudent, compliant, and law-abiding business operation". As a result, our internal compliance risk level remained stable. We strengthened the internal communication on, and forwarding and execution of regulatory policies in relation to certain key areas, exerted greater effort in tracking and assessing the implementation of various items within the regulatory opinions, and adopted measures to make timely and effective rectifications. We deepened the support on compliant business development, set up the Products and Services Review Committee, strengthened the risk self-assessment of new products and new services, and effectively communicated with regulators on new business licensing. We continued to promote legal risk management by pushing forward professional assessment of legal risk, participating in the entire process of business development through various aspects, and giving full play to legal risk forecast and prevention. We strengthened the management of attorney database, streamlined effective regulations and policies, enriched the contract template library, dynamically traced legal risks and provided risk reminders, and rendered legal support to key projects of the Company. We established the consumer rights protection leadership team, formulated the Working Rules of Consumer Rights Protection Leadership Team, carried out a completeness assessment on the Bank's financial consumer rights protection system. We also formulated SRCB Online Shopping Mall Merchant Violation Penalty Rules to protect consumers' rights and interests in online shopping. We formulated Management Methods for Online Public Opinions, gradually completed the setup of online commentator team, and continued to organize more education campaigns for consumers.

Talent development

During the reporting period, the Company formulated a sub-strategy for human resources based on the new three-year (2014-2016) development strategy, so as to render HR support to business transformation and business development. We further reinforced the development of head office BUs and branch management teams, revised people management policies on managers, searched and promoted young leaders, enabled more rotation among managers, organized department heads / deputy heads competitive selection, and established manager exit system. 24 managers were promoted to department heads /deputy heads, and 41 managers rotated to new positions or replaced with younger candidates. We reinforced performance evaluation, improved methods of evaluation for branch staff, and strengthened the quarterly performance review of Headquarter department heads / deputy heads. We strengthened development of the professional talent team, launched the selective hiring of dedicated credit approval officers and qualification assessment of risk managers, and there were 19 newly promoted/recruited senior account executives. In order to facilitate branch transformation and sales-driven initiatives, we introduced 115 professional talents and relationship managers. We developed professional sales teams for corporate banking, trading financing, retail banking, interbank bills and other business lines, and encouraged transfer to relationship managers to add up to the sales force. As an effort to strengthen

the SRCB brand, we recruited 254 fresh graduates, rolled out the management trainee program and recruited 15 management trainees from universities sponsored by Government Project 985. We were flexible in applying different training channels and conducted orderly trainings and tests for all levels of staff. Our work style was improved and the support and management of training were optimized. In addition to scheduled training each week, we carried out 1,402 trainings throughout the year for a total of 81,298 people (accumulative for all sessions), an increase by 62.8% compared with the year prior.

Development of corporate culture

The Company established its strategic objective to "cultivate striving enterprise culture, build sound brand image". We also promoted the financial enterprise culture of "responsibility, prudence, compliance, innovation" and advocated for the enterprise cultural value of "Love work and be devoted to your career, be honest and trustworthy, be responsible and willing to sacrifice, be innovative and progressive, united and harmonious". During the reporting period, we placed equal emphasis on learning and innovation, organized regular learning sessions, creatively launched strategy discussion forums and innovation workshops to to accommodate and improve the lack of skill. We promoted democratic management and convened the 6th Meeting of the Second Employee Congress. We initiated a pilot project on staff representative onsite survey and involved employees in company management. We expanded and deepened our employee care system and constructed "small homes for employees" to form a home culture. We also organized "one day donation" to help employees in difficult situations. To enrich our employees' free time, we held the 5th Employee Athletic Games and mini-film selection campaign. The Bank gave full play to young employees' energy and continued our financial knowledge education campaigns on "communities, industry parks and micro businesses". We actively fulfilled our corporate social responsibility by continuously promoting urban-rural aid and support to the poor and donating to education, public welfare and environmental protection initiatives. SRCB was listed among the "3rd Batch of Corporate Culture Role Models in Shanghai".



Position in the industry and awards

Based on statistics from "The Banker," a British magazine, SRCB improved its ranking from 212th to 189th among the 1,000 largest banks in the world in 2014 (ranking order is by tier-one capital). SRCB is now a Global 200 bank and ranked 20th amongst Chinese banks on the list.

During the reporting period, the Company was awarded "2014 Best Spot Trading Member on the Interbank Foreign Currency Market" by China Foreign Currency Trading Exchange and China Interbank Borrowing/Lending Center. We were also nominated for the "2014 Shanghai Financial Innovation Award" released by the Shanghai Municipal Government for its "Xin Hu Shang" corporate online banking community platform. We won the "2014 Prominent Contribution Award for Micro Business Financial Service in Shanghai" released by the Shanghai Banking Association; the "2014 Best Business Partner for Medium and Small Enterprise Financing Service in Shanghai" jointly released by the Shanghai Economy and Informationalization Commission and the Shanghai SME Development Steering Committee. We also won the "2013 Award for China Union Pay Card Innovation and Cooperation in the Shanghai" released by China Union Pay.

During the reporting period, SRCB received A rating results for the 2013 foreign currency management assessment, 2013 cashier and cash management assessment, and 2013 RMB issue (on behalf of Central Bank) review. SRCB was granted the "2014 Role Model for Electronic Remittance in Rural Commercial Bank Payment and Settlement System" and "2014 Role Model for Promoting the PBOC Second Generation Payment System", "2014 Award for the Best ICRR Certified Financial Institution", "2014 Best Employer in China and Best Employer in Shanghai", "3rd Issue of the China Excellent Service Award / China Customer Service Star / Best Customer Service Award for Bank Call Centers", "2014 ATM Best Contribution Award", "2014 Best Mobile Banking Business Innovation Award for Regional Commercial Banks", "2014 Award of Most Influential Local Bank", "2014 Award of Mobile Banking Users Customer Experience", "2014 Award of Best Bank Website", "2014 Best Banking Product Sales Award", "2014 Best Promotion Award of China Union Pay Card Business in Shanghai Region", "2013 Comprehensive Award for Bank Card Business", Second Prize in the "PBOC Shanghai Branch 2014 Financial Statistics Review for Chinese Banks in Shanghai", and "Award of Work Excellency for PBOC Shanghai Branch 2014 Interest Rate Monitoring and Filing Review". SRCB World Travel Platinum Card was granted "Award of Best Business Travel Card".

3. Income from main operating business (interest income)

Unit: RMB 1000 Yuan

Transaction type	Income	
	The Group	The Bank
Loan	12,844,090	11,852,792
Bills discounting	3,302,320	3,301,740
Deposit at FIs	380,957	320,967
Deposit at the Central Bank	1,094,254	1,055,831
Lending to FIs and Reverse REPO	1,685,411	1,685,411
Bond investment	3,169,133	3,168,604
Others	3,241	3,241
Total	22,479,406	21,388,586

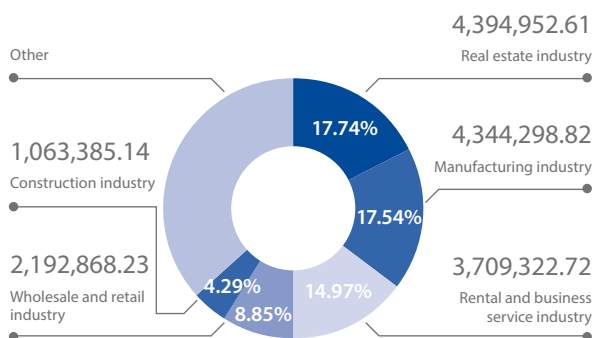
4. Market share of main products or services

At the end of the reporting period, the Company recorded total deposits in RMB and foreign currencies of RMB 375.125 billion, with a market share in RMB deposits of 6.24% (+0.36ppt vs. early 2013) amongst Chinese-funded banks in Shanghai, ranking 4th in terms of annual increase in RMB deposits. Total loans in RMB and foreign currencies were RMB 247.722 billion, with a market share in RMB loans of 6.63% (+0.29ppt vs. early 2013) amongst Chinese-funded banks in Shanghai, ranking 3rd in terms of annual increase in RMB loans.

5. Top five industries granted with most loans in RMB (balance and proportion)

Unit: RMB 1000 Yuan

No.	Sectors	Closing balance	Scale
1	Real estate industry	4,394,952.61	17.74%
2	Manufacturing industry	4,344,298.82	17.54%
3	Rental and business service industry	3,709,322.72	14.97%
4	Wholesale and retail industry	2,192,868.23	8.85%
5	Construction industry	1,063,385.14	4.29%



6. Balance of key off-balance-sheet items and risk management

Unit: RMB 1000 Yuan

Item	2014	2013	2012
The Group			
Letters of credit issued	1,261,790	1,943,169	782,200
Performance bonds issued	1,817,922	1,385,851	1,031,403
Bank acceptance bills issued	5,716,508	4,398,283	4,277,607
Credit undertakings	12,555,162	5,638,236	1,913,116
The Bank			
Letters of credit issued	1,261,790	1,943,169	782,200
Performance bonds issued	1,817,922	1,385,851	1,031,403
Bank acceptance bills issued	5,716,508	4,398,283	4,277,607
Credit undertakings	12,555,162	5,638,236	1,913,116

(III) Challenges in business operation and their solutions

During the reporting period, China's economy was on the new normal phase with medium-to-high growth speed and increasing financial disintermediation. Under this situation, corporate loans would not maintain their high-speed growth as in the past, and it would become more and more difficult to identify high-quality loan projects. Therefore, the Company carried out industry park projects and set up 74 SME service teams to tap into the government's "104 industry park planning strategy" with tailor-made sales activities. We enhanced our portfolio-based "1+X" financial service system for high-tech companies by promoting products like energy performance contracting, order financing, and performance loans. Our retail assets business was in full swing, where sales skill training sessions were provided to retail sales team, new products such as "Family Consumption Loan" "Xinxiang Personal Consumption Loan," household mortgage loan, household revolving loan, second-hand home purchase portfolio service platform (upgraded version) were launched targeting household financing demands. Retail loan growth contributed to 48.68% of the Bank's self-funded loan growth, and retail loan balance accounted for 21.16% of the Bank's self-funded loan balance – both increased substantially. We actively built "Xinyi Bill Discounting" into a featured product, and bills discounting volume for the year reached RMB 6.4 billion – great support to micro businesses' needs in this area.

During the reporting period, interest rate liberalization was accelerated, which impacted the Company's traditional profit model that relies on scale expansion and interest spreads between deposits and loans. Our fee income business was also under pressure in terms of both volume growth and quality improvement. Therefore, SRCB sped the ongoing restructuring and transformation, further enhanced its innovation capacity to increase fee income from e-banking, credit cards, investment banking, and cash management businesses etc., and thereby gradually decreased its excessive dependence on interest spread between deposits and loans. On the other hand, it worked towards a delicate management style by directing branches to improve loan interest rate pricing, as well as sales and customer service, so as to decrease the cost for absorbing deposit and alleviate the narrowing interest spread pressure.

Within the reporting period, SRCB encountered heavy pressure in controlling the increase of non-performing loan balance and non-performing loan ratio. To deal with this situation, the Company conducted research on the impact of domestic and international economic situations on future industry development trend and continuously improved SRCB's capability of industry risk identification and monitoring, in light of the guidance from the regulator. We also enhanced post-lending tracking, carried out forward-looking inspections on the industrial risks that have been identified and were able to reveal the potential risks in time. Various approaches were taken together with key assets recovery project initiatives to reduce non-performing loan balance and refrain from further growth.

(IV) Capital adequacy-related risk management target and policies

SRCB shall adhere to profit orientation and capital-saving strategies, including the setup of a capital allocation, management, monitoring and assessment system by the new Basel Accord requirements, and capital replenishment primarily from profit (internal) supplemented by external funding, so as to ensure sufficient capital to support bankwide risk management enhancement and transitioning business development, and thereby bringing up ROE.

During the reporting period, the Company gradually adjusted on-and-off-balance-sheet asset structure, promoted moderate growth of risky assets; established capital budgeting and allocation mechanism and improved performance assessment mechanism; pushed forward implementation of the new Basel Accord and realized sophisticated measurement of risk assets, and; established and improved capital internal adequacy assessment procedures and capital management system based on the 2014-2016 Capital Management Strategy. Driven by the aim of higher investment return, we helped rural banks reinforce capital management. We also retained the majority of profit to replenish our capital yet other funding sources have also been established.

The Bank calculated capital adequacy ratios and core capital adequacy ratios in accordance with CBRC's "2006 Rules Governing Capital Adequacy Ratios of Commercial Banks 2006" and "2012 Capital Management Policy for Commercial Banks (trial version)" respectively.

III. Summary of Banking Data

(I) Basic branch information

No.	Name of Branch	Business Address	Number of Outlets Under Its Control
1	Headquarter Branch	No. 728, West Yan'an Road, Changning District, Shanghai	1
2	Binjiang Branch	Unit 01 and 06, F1, No. 8, Middle Yincheng Road, Pudong New District, Shanghai	1
3	Zhangjiang High-tech Branch	Room 103-108, No. 8, Zone B, Lane 500, Zhangheng Road, Pudong District, Shanghai	1
4	Pudong Branch	No. 1500, Century Avenue, Pudong New District, Shanghai	48
5	Shanghai Pilot Free Trade Zone Branch	No. 6, Jilong Road, Pudong New District, Shanghai	1
6	Minhang Branch	1-2/F, No. 670, Qixin Road, Minhang District, Shanghai	27
7	Jiading Branch	No. 386, Tacheng Road, Jiading District, Shanghai	26
8	Baoshan Branch	No. 1198, Mudanjiang Road, Baoshan District, Shanghai	30
9	Songjiang Branch	No. 405, North Renmin Road, Songjiang District, Shanghai	27
10	Jinshan Branch	No. 505, West Weiqing Road, Jinshan District, Shanghai	22
11	Qingpu Branch	No. 399, Gongyuan Road, Qingpu District, Shanghai	25

No.	Name of Branch	Business Address	Number of Outlets Under Its Control
12	Fengxian Branch	No. 9780, Nanfeng Road, Fengxian District, Shanghai	27
13	Nanhui Branch	No. 5, Shaonian Road, Huinan Town, Pudong New District, Shanghai	32
14	Chongming Branch	No. 188, Beimen Road, Chengqiao Town, Chongming County, Shanghai	31
15	Putuo Branch	No. 599, Xincun Road, Putuo District, Shanghai	21
16	Changning Branch	No. 8, Lane 555, Gubei Road, Changning District, Shanghai	12
17	Xuhui Branch	No. 3-7, Lane 9, Zhaojiabang Road, Xuhui District, Shanghai	22
18	Hongkou Branch	No. 2721, Songhuajiang Road, Hongkou District, Shanghai	11
19	Yangpu Branch	No. 1599, Huangxing Road, Yangpu District, Shanghai	11
20	Zhabei Branch	F1, No. 169, Gonghe Road, Zhabei District, Shanghai	10
21	Huangpu Branch	East Side, F1, No. 500, Guangdong Road, Huangpu District, Shanghai	10
22	Jing'an Branch	No. 770, West Beijing Road, Jing'an District, Shanghai	4
23	Jiashan Branch	No. 67-63, Jiashan Avenue, Luoxing Subdistrict, Jiashan County, Zhejiang Province	2
24	Xiangtan County Branch	No. 598, Jingui South Road, Yisue Town, Xiangtan County, Hu'nan Province	3
25	Kunshan Branch	F1-3, No. 183, Middle Qianjin Road, Kunshan City, Jiangsu Province	2
Total			407

(For details, please refer to the Directory of Branches)

(II) PBOC 5-category classification of credit assets

Unit: RMB 10,000 Yuan

	Balance		Percentage	
	End of 2014	End of 2013	End of 2014	End of 2013
Normal	2394.67	2121.92	96.67%	96.43%
Special-mention	50.07	49.35	2.02%	2.24%
Substandard	20.30	18.57	0.82%	0.84%
Doubtful	10.47	9.66	0.42%	0.44%
Loss	1.71	1.02	0.07%	0.05%

(III) Provision accruals

The assets impairment loss provision was accrued subject to the Accounting Standards for Enterprises. Details are listed as below:

- Provisions for asset impairment include loans, financial assets available for sale, accounts receivable investment, long-term equity investment, foreclosed assets, etc.
- The balance of assets impairment loss provision was RMB 8.136 billion at the end of 2014.

(IV) Loan proportion of top ten customers

Customer name	Loan balance (RMB 10,000 Yuan)	Proportion out of total loan balance (%)
Shanghai Pudong Land Holding (Group) Co., Ltd.	203600	0.83
Shanghai Pudong District Land Reserve Centre	201900	0.82
Shanghai Pudi Investment Development Co., Ltd.	139325.26	0.57
Shanghai Expo Land Shareholding Co., Ltd.	100000	0.41
Shanghai Pujiang Industrial Park Investment and Development Co., Ltd.	92000	0.37
Pingan International Financing and Lease Co., Ltd.	91650.03	0.37
Shanghai Bell Holding Co., Ltd.	90451.73	0.37
Shanghai Industrial Development Co., Ltd.	90000	0.37
Jihui Commercial Management (Shanghai) Co., Ltd.	88000	0.36
Shanghai Putuo District Land Development Center	86326.05	0.35

(V) Group customer lending and risk management

The Company centralized credit approval to group customers and monitored it on a regular and non-regular basis. In addition, the Company completed its renovation of (related-party) group customer management model in the corporate loan management information system, and further enhanced the system support of (related-party) group customer lending management.

(VI) Closing balance of restructured loans and overdue loans

At the end of the reporting period, the balance of restructured loans was RMB 8.9 million, in which RMB 8.28 million were overdue loans.

(VII) Monthly average balance and interest rates of major categories of deposits and loans

Unit: RMB 1000 Yuan

Category	The Bank	
	Average balance	Average interest rate
Self-funded loan	189,435,341	6.54%
Deposits	346,391,823	2.38%
-Current deposits	143,064,132	0.60%
-Term deposits	203,327,691	3.63%

(VIII) Government bonds held by the Company at the end of the reporting period

Categories of bonds	Face value balance (RMB 10,000 Yuan)	Interest rate (%)	Maturity date
2001 Book-entry treasury bonds	15,000	3.85	2021.10
2003 Book-entry treasury bonds	10,000	4.18	2018.10
2005 Book-entry treasury bonds	20,000	4.44	2015.2
2006 Book-entry treasury bonds	9,000	2.8	2016.3
2007 Book-entry treasury bonds	55,000	3.4-4.46	2017.3-2017.9
2008 Book-entry treasury bonds	117,000	3.68-4.5	2015.2-2038.5
2009 Book-entry treasury bonds	301,000	2.82-3.68	2016.6-2019.11
2010 Book-entry treasury bonds	526,000	2.38-4.23	2015.5-2040.12
2011 Book-entry treasury bonds	591,000	3.44-3.99	2016.2-2021.11
2012 Book-entry treasury bonds	537,000	2.91-3.55	2015.4-2022.12
2013 Book-entry treasury bonds	973,000	2.92-4.32	2015.4-2033.8
2014 Book-entry treasury bonds	37,000	3.32-4.13	2015.6-2024.12
2010 Certificate treasury bonds	710.88	4.6	2015.12
2011 Certificate treasury bonds	1,011.35	5.75-6.15	2016.3-2016.11
2012 Certificate treasury bonds	1,640.68	4.76-6.15	2015.4-2017.10
2013 Certificate treasury bonds	3,150.73	5-5.41	2016.3-2018.11
2014 Certificate treasury bonds	1,331.52	3.6-5.41	2015.5-2019.11
2013 Saving bonds (electronic)	3,332.87	4.6	2015.11
Total	3,202,178.03		

(IX) Non-performing loans at year end and initiatives taken

At the end of the reporting period, total loans of the Company reached RMB 247.722 billion. Per the PBOC five-category classification, there were RMB 239.467 billion in normal loans, comprising 96.67%, and RMB 5.007 billion in special mention loans, accounting for 2.02%. The last three categories of loans totaled RMB 3.248 billion, comprising 1.31%, down 0.02 percentage points and RMB 323 million more than the year prior. Both the non-performing loan balance and non-performing ratio have increased. Substandard loans increased by RMB 173 million and doubtful loans dropped by RMB 81 million, and loss loans rose by RMB 69 million.

At the end of the reporting period, the Company's foreclosed assets totaled RMB 162.47 million, with a decrease of RMB 506.24 million.

Within the reporting period, RMB 743.01 million of non-performing loans were written off.

With regard to solving and reducing non-performing loans, the following measures were taken. First, the Company carried out a special check to screen out potential credit risk in commodity financing, real estate loan, guarantee-based loan (including loan secured by joint and mutual guarantee), and non-standard assets business. Second, the Company continued to strengthen quarterly monitoring of large-ticket loans, traced management

of large-ticket special mention loans, regular assessed risky loans, and required front line to take more risk control responsibilities. Third, the Company placed emphasis on recovering large-ticket non-performing loans in particular the disposal of collaterals, and enforced non-performing loan write-off when appropriate to reduce non-performing loans. Fourth, the Company continued to tighten up risk exposure to steel trade industry and adhered to the industry credit guidance of "Support Some While Restricting Others, Treat with Differentiation, Alleviate Risks and Stick to the Bottom Line" to tighten risk exposure.

(X) Foreclosed assets

By the end of the reporting period, the balance of foreclosed assets was RMB 162.4679 million, in which balance for real estate and equity rights were RMB 136.7374 million and RMB 25.7305 million, respectively.

(XI) Overdue outstanding debt

Nil.

(XII) Various risks faced by the Company and corresponding counter-measures

During the reporting period, the Company faced various risk uncertainties. First, excess production capacity was still a serious problem in some industries (e.g. steel, non-ferrous metals, building materials, ship building and other heavy industries) and could not be changed in short time. And such excess tends to go towards wind power, photovoltaic, carbon fiber and other emerging industries. Second, continuous growth of the interest rate market brought increasing uncertainties to the currency market. Tight liquidity on the interbank market will occur very frequently, which will bring more challenge to liquidity risk management. Third, China will repeatedly reduce the benchmark interest rate, which leads to further narrowed interest spreads and slowing growth in traditional business (income), calling for new profit growth points from innovation. Fourth, given the interest rate liberalization, financial disintermediation, online banking boost, permit granted for private banks, and progress in Free Trade Zone construction, more and more financial institutions will cluster in Shanghai, which results in the Company facing more intense market competition. Fifth, there is room for the company to further enhance its professional risk management level, and to reinforce its accountability system. Expansion of innovative business requires risk management expertise. Sixth, with regulatory threshold lifted, banks are allowed to diversify from their main business to other financial sectors and establish conglomerate. As a result, cross-region and cross-industry development will challenge the Company's group risk management and consolidated financial statements management. Seventh, financial markets diversification amplifies the conduction effect of market risk, and the risk accumulated from shadow bank, trust and other sub-markets can easily lead to systematic risk, which makes the company's operation environment more complicated.

Mitigation of credit risks:

First, we have been working towards a more forward-looking risk management approach, including 1) issued and implemented the 2014 SRCB Assets Writing Strategy; 2) strengthened our research to the macro-economy /industry development and published monthly macroeconomic analysis results/industrial price index updates. Second, we have adjusted credit approval discretion, including: 1) pushed forward a dedicated credit approval officer system; 2) adjusted the credit approval discretion of branches when appropriate; 3) adjusted the credit approval discretion on group (related party) clients and reinforce credit risk management 4) adjusted the policy on bill discounting limit use and approval discretion. Third, we continuously improved the effectiveness of risk management measures, including: 1) continued to push forward standard credit policy system; 2) reinforced credit risk management over individual corporate clients and group (related party) clients and prevented excessive loan

drawdown or drawdown incurring limit excess; 3) promoted the business cooperation on the Rural Commercial Bank (Shanghai) Cooperative Alliance and facilities offered to Alliance members are managed as FI limits; 4) Through in-depth investigation and research, we improved and adjusted various policies and loan contracts/forms/slips for management of loan customers with poor track records, micro business working capital loans, pledge and guarantee-based loan management, non-local client loan management, new loan client entry threshold, concentration risk management, etc.; 5) pushed forward the pilot of mortgage loans backed by rural land rights of use; 6) rolled out dedicated credit approval officer system and regularly assessed loan approval quality. Fourth, risks of various credit products were identified through screening checks. Fifth, we continuously traced high-risk credit assets and strengthened their management, including: 1) strengthened management of local governmental financing platform loans and real estate loans; 2) streamlined risks of credit products throughout the Bank; 3) continued to resolve credit risks in loans concerning steel trade and excessive-production-capacity industries; 4) improved credit risk management on small and micro enterprise loans. Sixth, we took the initiative and implemented requirements of the regulators on risk prevention for key risk areas by organizing through screening check on guarantee-based loans and taking actions on potentially high-risk loans. Seventh, we screened and reduced local government financing vehicle loans (LGFV loans), specifically we have streamlined account-by-account the LGFV loans at city/district/town/village governments, and formulated differentiated management measures. Eighth, in order to enhance staff risk awareness and risk management capabilities, we organized more training sessions including policy/regulation training, system training, and qualification training for risk managers, client managers and product managers.

Mitigation of market risks:

First, the market risk matrix reporting line system was implemented and embedded risk management teams were set up in Financial Markets Department, Financial Institutions Department, Online Banking Department, Trade Financing Department, Retail Banking Department, Credit Cards Department, and Free Trade Zone Branch to strengthen horizontal risk control and business support for business departments. Second, we promoted the market risk internal modeling approach project – we have almost completed the consulting sub-project and initiated market risk database and system development. Market risk policy and procedure system covering risk identification, measuring, monitoring, control and report has been established and improved.

Mitigation of operation risk:

First, the Company continually improved the compliance and operation risk management system. We worked out the SRCB Operation Risk Management Policy, developed policies governing the three major operation risk management tools and outsourcing risks, and optimized operation risk management procedures. We worked out interim regulations on legal risk evaluation, collated and revised fraud/violation prevention

regulations and provided compliance and legal support. We improved the IT risk management policy framework with further amendments made to the policies. Second, with business process collation and optimization as entry points, we straightened up business processes for the whole bank, evaluated the risk points and weak control points of key business operations and made effective rectification and correction. We strengthened compliance support for new products and new businesses. Compliance personnel participated throughout the entire process of key innovation. We hired an external lawyer for legal support and realized "dual (internal + external)" control of compliance risk. Third, we continually optimized our compliance and operation risk management systems through advanced technology, and have integrated operation risk management, compliance management and violation point management functions. This system was used to regularly collect operation risk loss data and key risk indicators. Fourth, we continued to optimize monitoring rules of the risk early warning system. We used the IT system to continually enhance our capability of identifying and preventing operation risks (including fraud/violation prevention) of accounting line and internet banking, and initiated the construction of off-site auditing model - a good foundation for off-site auditing. The new generation bank system safety evaluation and risk collation was conducted to ensure stable and smooth operation of production system. Fifth, we thoroughly implemented all regulatory policies, rules and requirements and proactively innovated our legal risk management model to enforce regular communication with regulators and regulatory opinion delivery on key risk areas. We arranged compliance training throughout many channels to promote consumer rights protection in a holistic way. Sixth, we implemented fraud/violation prevention management initiatives with an emphasis on prevention and objective management. We clarified job descriptions, implemented fraud/violation initiatives, launched the campaign "employee behavior management year" to create a sound compliance atmosphere. Seventh, we improved our outsourcing risk management system, issued the Policy on Outsourcing Risk Management and Implementation Measures on Outsourcing Risk Management. We also continually strengthened outsourcing daily management and monitoring of risk indicators. We also carried out offsite centralized outsourcing risk management. Eighth, we enhanced our business continuity management (BCM) level by issuing BCM methods, BCM plans, emergency plans for BCM. We continually improved disaster recovery system construction, enforced construction of information systems for emergency plans and conducted emergency drills, traced drill progress and results. Ninth, we enforced operation risk control for rural banks, improved management of rural banks on operation risks, business continuity, off-site auditing and risk early warning management and improved the compliance management of the Group.

Mitigation of liquidity risk:

First, the Company set up the Treasury function and improved position management. We established independent treasury function to better balance between profitability and liquidity in fund position management. We developed the internal fund transfer pricing system for the whole bank, including internal

fund transfer price for branches and financial market businesses, which laid a foundation for refined finance management capacity. Second, we improved the risk management system. We formulated "Convenient Operating Rules for Group Internal Liquidity", "2014 Liquidity Risk Stress Test Plan", "Structural Design and Implementation Plan for RMB Fund Position Management", "Administrative Measures for Excessive Provisions" and other regulations. Third, we collated and optimized the business process for liquidity support from SRCB to rural banks; optimized the tiered interest calculation function for the SRCB nostro/vostro accounts of rural banks to ensure sufficient liquidity of rural banks. Fourth, conducted daily estimation and monitoring on liquidity indicators at important time slots and also liquidity stress tests at the end of each quarter to ensure indicators meet the regulatory requirements and internal auditing requirements. Fifth, in order to facilitate the business development of SRCB Free Trade Zone Branch, we developed business requests for the FTZ ledger & accounting system and FTZ funds monitoring system, and the implementation plans for upgrading PBOC second generation payment system and rural financial institution second generation payment system.

Mitigation of compliance and legal risks:

In terms of compliance risk management initiatives, the Company actively implemented various regulatory requirements, updated on key focus areas to ensure the proper interaction between SRCB compliance and the regulator. We actively carried out special compliance checks, identified and evaluated compliance risk, and enhanced the effectiveness of rectification and correction. We held compliance education campaigns and a knowledge competition of compliance and fraud/violation prevention to continually enhance staff awareness of compliance. We organized 9 products and services examination committee meetings and audited 24 new products and new businesses to ensure compliance and legality and controllable risk. In terms of legal risk, in response to demands from business development, we replenished our lawyer contacts in a timely manner and conducted a comprehensive assessment on their legal service performance. We improved the establishment, revision, and termination of policies and rules. We revised our Administrative Measures for Authorization to the Senior Management of the Bank. We implemented an authorization model mainly based on authorization to individuals with branches, business operation and management all considered. We focused more on the demonstrative effect of contract templates, increased the number of templates and enhanced legal service efficiency. We conducted professional evaluation of legal risks to support business development.

Mitigation of reputation risk:

We increased awareness to prevent reputation risk - we evaluated potential reputation risk before launching new policies, products, services and systems, identified potential risks and proposed remedies. We focused on client appeals and public opinions, and responded to negative public opinions in a timely manner. We further improved our services to protect consumers' rights and interests.

IV. Analysis of Financial Status and Operating Results

Unit: RMB 1000 Yuan

Item	The Bank			
	2014-12-31	2013-12-31	Increase/decrease	Primary reason
Total assets	466,600,941	406,484,600	60,116,341	Expansion of business
Long-term equity investment	1,431,941	1,424,379	7,562	Increase in long-term equity investment
Bond investment	104,373,624	80,320,931	24,052,693	Increase in bonds held
Fixed assets	6,545,090	5,768,712	776,378	Increase in fixed asset investments
Total liabilities	429,903,049	374,657,561	55,245,488	Increase in deposits and debts
Owner's equity	36,697,892	31,827,039	4,870,853	Increase in in undistributed profits
Operating profit	5,663,655	4,953,348	710,307	Increase in net interest revenue and non-interest revenue
Investment return	750,069	466,522	283,547	Increase in bond investment
Net profit	4,704,536	4,115,659	588,877	Expansion in interest-earning asset

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

Nil.

VI. Serious Asset Loss Caused by Operational Risk Case

Nil.

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

First, interest rate liberalization sped up. Loan interest rate pricing limits have been fully lifted and deposit interest rate ceiling has been increased to 1.3 times of the benchmark interest rate. Full liberalization of deposit interest rate has been put into agenda and deposit insurance system is just upon us. Referring to the international practice, interest spread of banks was approximately halved after full liberalization. It will also be a process to shuffle the banking industry, and medium and small banks, in particular will face the challenge of survival.

Second, financial disintermediation was spreading out. As capital markets see development opportunities and stock market rebounds plus the rapid emergence of third party payment and online banking businesses, the most basic business of the bank industry, settlement business and liability business, were encroached on. Financial disintermediation, in essence the removal of intermediaries, is a process where various non-bank financial institutions and even non-financial institutions

replace commercial banks in the intermediate function of capital accommodation, capture the client resource, squeezing the traditional deposit and loan businesses of banks.

Third, economic structural adjustment was sped up. Impeded by the slow recovery of foreign economies, decrease in "bonus" from domestic resources like labor and land, and prominent difficulties of government debt and ecological environment, China's double-digit economic growth in the past decade will end and medium-level growth will prevail, and economic growth will focus more on benefit and quality in the future. Slower economic growth will not be able to support the high-speed growth of the banking industry. Economic transitioning brings about both opportunities and risks, with opportunities coming from urbanization, development of emerging industry under government support and increase in consumption, and risks arising from increasing economic downward pressure, excessive production capacity in some industries, as well as uncertainties in the real estate market.

VIII. Business Development Plan for the New Year

(I) Guidelines for business development in the new year

We will implement the guidelines issued by the Third and Fourth Plenary Sessions of the 18th CPC Central Committee, the Central Economic Working Conference, and the Seventh Plenary Session of the 10th Shanghai Municipal Committee of CPC. Driven by the market, we will work hard to achieve the set targets by implementing the development strategies including differentiated positioning, specialized operation, delicate management, system support, balance between risk management and business development, business transitioning, and quality and efficiency improvement through innovation.

(II) Main business targets for the new year

- Net profit target is RMB 5 billion, with a growth rate of 8.8%. ROA target is above 1%, and ROE target is above 13.5%.
- Our daily average deposit balance is targeted at RMB 39.6 billion, with an increase of 12%. Increase in deposit balance at the end of the period is targeted at RMB 45 billion to reach RMB 420 billion, with an increase of 12%. Of which, the RMB corporate deposit balance increases by RMB 24 billion to RMB 214.9 billion. The RMB personal deposit balance increases by RMB 19.5 billion to RMB 201.7 billion. The deposit balance in foreign currency (converted to RMB and including cross-border RMB) increases by RMB 1.5 billion to RMB 3.5 billion.
- Self-funded loan balance increases by RMB 25.3 billion to RMB 225 billion with a growth rate of 12.8%, among which, daily average of discounting loan reaches RMB 10 billion, retail loan (including personal loans and micro business loans with ticket size less than RMB 5 million) increases by RMB 10 billion.
- Fee income is targeted at RMB 1.71 billion with an increase of 30%.
- Operating expenses will be controlled around RMB 5.45 billion and the cost-income ratio be around 39.5%.
- Recovery of non-performing assets is targeted at RMB 100 million, and risk exposure of steel trade loans decreases by RMB 300 million.

(III) Main development targets in the new year

Corporate banking

We will speed up transformation from the traditional credit-business-focus mindset, keep pace with banking industry upgrade to push forward new asset businesses, and replace traditional single product sales approach with a portfolio product/service system. We will make greater effort in the development and innovation of deposit-related products, leveraging various business platforms to increase retained deposit, sparing no effort to expand new markets, new clients and fostering new deposit growth points. We will continue to promote and innovate financial services to rural area, agriculture industry, and farmers "three-rural", and cooperated with the Municipal Agriculture Commission to establish modern agriculture nurturing funds so as to bring social investments to the "Three rural" projects. We will continue to promote the establishment of "1 + X" high-tech financing system, as we have seen promising results from piloting specific products and operation models at branches. We will speed up the development of new fee income source, and promote corporate cash management business including continuing to upgrade cash management system, optimizing relevant function modules, and build featured cash management business. Innovative businesses like syndicated loan and M&A loan shall be encouraged where cross-region cooperation enabled. We will further innovate and penetrate into industry financial service based on identified demands, strong sales and featured offering.

Retail banking

Based on the SRCB positioning as a community bank, we will take advantage of construction of three platforms to steadily promote traditional retail deposit and loan businesses, increase fee income, actively expand specialized businesses, promote business transformation and further enhance the profit contribution from retail business. We will continue to excel in marketing of traditional deposit sources like peak season allocation and funds for demolition and relocation. We will expand our agency services like payment of salary and social securities and other volume business to increase saving deposit size and stability. Retail loans will be promoted through multiple channels for bigger size, increased revenue and optimized structure and quality. By leveraging advantages in products like community one-stop cards, labor union cards, and family accounts, we will cross-sell with wealth management, funds and insurance products. The launch of family account, diversified asset management products, and personal overseas study accounts will build a complete wealth management product line. Wealth management products purchase will be enabled both online and offline. Customers can receive drawdown of family revolving loan through internet banking and mobile banking platforms, apply and receive personal mortgage loan through internet banking platform, and receive drawdown of "Xinxiang Personal Consumption Loan" through mobile banking platform. We will launch pre-approval plans for personal unsecured loans based on the credit rating and asset position of the clients. Debit card functions will be further improved. Upon from having self-service card issuing through machines, we will add self-service transfer, inquiry of balance and transaction details, online cash deposit and withdrawal, self-service function activation, card activation, and cooperate with third-party payment and e-commerce companies to expand debit card payment channels. We will continue to build our community banking network, make full use of our community banking outlets to facilitate community development, advocate our brand/financial services and improve customer experience.



Trade financing

We will develop innovative cooperation channels and promote synergy development of the trade financing business. We continue to encourage portfolio offering of RMB/FCY products and corporate/personal banking products, leverage online banking platform, implement the customer targeting strategy of "primarily SMEs yet supplemented by large corporate and personal customers", improve application efficiency of capital and products, promote cross-sales and enhance the client loyalty. According to changes in markets and policies of the free trade zone, we will speed up innovation of products and services, as well as reproduce best practices. Interbank cooperation will

be continuously expanded through optimizing correspondent bank services, serving members of the "Rural Commercial Bank Alliance" to gradually forge a joint force and economy of scale among rural financial institutions for trade finance business. We will improve trade financing team structure, encourage joint customer visit and pinpoint sales, enhance capability of the trade financing team to cultivate multi-skilled talents.

Online banking

Driven by profit, we will place emphasis on cost-revenue analysis and put forth more effort to develop revenue-generating projects and seek new revenue growth points. Based on the "Xinhushang Corporate Online Financial Community", we will further identify client demands, and develop functions/applications like independent websites, enterprise office automation, financial management software, and insurance agency sales, and customers will be charged for the portfolio solutions (tailored by customer segmentation) provided. We aim to increase income by constructing a new business platform centering online financing and online wealth management yet supplemented with Xin Cai Bao and direct banking cross-border remittance. We will expand sales channels and develop mail delivery system to reduce operation costs. We will speed up brand building, encourage portfolio and targeted sales, and achieve better performance. We will organize proper inspections and training, improve the service capacity and quality of the call center, and build up online client service platform.

Credit cards

Being profit-oriented and innovation-driven, we will expand our scale of credit cards business, enrich product lines, optimize product structure, promote asset business such as credit cards installment, issuing of car owner cards/business platinum cards and other innovative products. We will strengthen cooperation with onshore/offshore e-commerce companies, third-party payment companies and social media to expand the scale of online credit card transactions, and to launch of the "Xiaofuxin Credit Cards Bonus Point Platform" and enhance its brand influence. We will promote cross sales with retail banking/online banking as part of the mass retail banking strategy, and deepen community banking platform construction and promote transitioning development. System operational assurance will be strengthened and information safety management will be enhanced. Policy system framework and system construction will be optimized and risk prevention capacity will be enhanced. Employee training system will be improved and BU management will work towards delicacy.



Financial markets

Financial market business development will be based on the general objective of building the "interbank financial market trader" and development orientation as "trade profit center", "asset management center" and "product center". Strategy for proprietary trading will be transformed from assets-holding to assets-trading and capacity of financial market to cater branch needs and promote the sales-focus strategy. First, we will adhere to the tactics of profit under controllable risks for proprietary trading. Second, Strategy for proprietary trading will be transformed from assets-holding to assets-trading to increase the percentage of non-interest income. Third, we will adhere to business innovation like assets securitization to further integrate into the market to take hold of opportunities. Fourth, we will adhere to product innovation of asset management business, actively promote open-end and asset-net-value wealth management products and develop direct banking specialized products sales online, and further promote quality and quantity of wealth management business. Fifth, we will continue to specialize in discounting business, cooperate with corporate banking team, foster small and micro enterprise core client groups and further expand market shares. Sixth, we will adhere to the promotion of interbank cooperation in the financial market business to further create a synergy effect through the rural commerce (Shanghai) collaborative platform.

Financial institutions business

We will continue to diversify our business and realize cross-region client cooperation, portfolio product offering, multiple channels of cooperation as well as devote ourselves to becoming an interbank financial market trader. First, we will fully study the regulatory statistical caliber and develop FI deposit and transaction businesses provided that liquidity support is guaranteed. Second, we will continue to adopt the "investment + investment banking" model, innovate interbank asset business products and increase investment in the capital and bond markets. Third, using debt financing tools, structured investment, investment bank financial consulting, and asset management as entry points, we will promote cooperation with peer banks and branches. Through cooperation with the lead underwriter, we will actively carry out joint underwriting projects on non-financial enterprise debt financing tools issuance. Fourth, we will further expand our scope of cooperation with the rural commercial bank (Shanghai) collaborative platform to jointly improve our governance structure, and build innovative professional trading / settlement / payment / service platforms.



Fee income business

We will standardize our business operations, strengthen cross-sales and greatly develop emerging fee income business. Great effort will be made to take more syndicated loans as lead underwriter and increase income. We will actively expand cash management business. Making full use of the cluster effect of medium and small companies and seizing the opportunities from state-owned companies mergers & acquisitions, we will put more efforts in attempting to provide consulting services and matchmake M&A deals, and also involve investment banking business like debt financing tool underwriting. We will push for bankwide synergy, encourage business innovation, and speed up the construction of cross-border financial service system. We will interface online banking and community banking platforms, speed up the launch of online foreign currency business, support individual cross-border investment demands, launch foreign exchange wealth management product with ANZ bank, and seek to develop personal overseas home purchase solutions, promote insurance, funds, wealth management, precious metals and other asset management businesses, as well as actively expand the payment of public utility fees for new and existing clients. We will actively expand emerging agency sales business, and launch pension insurance products, securities brokers' portfolio wealth management products, and fund companies' special account products to further expand channels for an increase in revenue. Based on the piloting experiences, we will roll out second-hand end-to-end service platform, and develop home mortgage loan star products. We will strengthen the synergy between RMB and foreign currency business, speed up personal foreign currency business, launch personal overseas study accounts, integrate products and services and build all-in-one cross-border financing services. More effort will be put into interbank cooperation (for transformation), and financial markets business (for revenue increase). Asset turnover efficiency will be increased, and non-interest income's percentage in financial markets income will be increased.

Corporate development

We will adhere to the branch network development principles of "consolidation in rural areas, penetration into urban areas, expansion into industrial parks, and integration into communities". By taking opportunities in urbanization and large residential area construction, we will follow the strategy of community bank construction, This will also be achieved by enlarging branch coverage and enhancing service capacity, with the objective of serving "micro, small and medium-sized, agriculture, high-tech and trading companies" and satisfying financial demands of community residents.

IT development

IT management will be deepened and strengthened to support the development of key businesses. We will improve our system framework, promote IT project management procedure setup and complete CMMI3 authentication; organize preliminary research on big data technology, and; promote application safety independent control technology. We will build our comprehensive management system for limits and sales support system based on search engine technology. An automatic testing system will be constructed, the safety management system will be improved, and mobile service management platforms will be

built on the basis of the existing IT service management platform to enhance operation and maintenance efficiency. Construction of disaster recovery center will be promoted in a continuous way - remote disaster recovery systems for rural banks will be put in place and drills will be carried out. IT asset management level will be enhanced and system capacity be increased. Production and operation will be maintained properly to ensure no occurrence of serious machine halt accidents.

Management of rural banks

According to the new three-year strategic development plan of the Company and the investment return focus, the rural banks will continue to support agriculture and small enterprises, expand online banking business, reform and innovate, prevent risks and excel in all operation and management. We will continue to improve the rural bank management strategic business unit, including organizational structuring, responsibilities clarification and long-term management mechanism. We will direct rural banks to enhance their scientific decision-making and efficiency in allocation and use of internal resources by enforcing standard financial budgeting system. We will standardize corporate governance of rural banks, give full play to the leading and supervision of the Board of Directors and promote implementation of strategies. We will direct the rural banks to adhere to the market orientation of "setting foot in rural counties, supporting agriculture and small enterprises and serving the community" and strengthen the synergy between traditional and emerging businesses. We will help rural banks proactively expand online banking business, promote branch transformation, optimize deposit structure for a strong and specialized small, micro, and "Rural Area, Farmers, and Agriculture" businesses and promote the Shanghai Rural Commercial Bank brand. We will help rural banks enhance risk management and the fraud/violation prevention capacity of rural banks, strengthen their credit process management, continue to improve the risk early warning system, develop system independently to provide strong system support. We will integrate internal/external resources and organize trainings to enhance the quality of personnel in rural banks.

Risk management

Centered upon reform and innovation, we will further improve our risk management policies, optimize our risk organizational structure, strengthen prediction of risky situations, enhance risk management technology, put more effort into risk personnel training to enhance risk management capacity in a comprehensive way, seek more forward-looking perspectives in risk management, ensure the risk bottom line and promote balanced development of traditional business and new business. First, the new Basel Accord projects will continue to be implemented, internal evaluation results will be disseminated and applied throughout the Bank, RWA system and risk data mart will be constructed in a timely manner. Second, we will optimize our risk management structure, improve our matrix reporting line and embedded risk team system, and promote development of new business. Third, rules concerning the credit discretion will be properly adjusted, our approval model will be adapted to the internal rating project results, adjusted risk exposure concepts will be introduced, and more delicate risk management based on parameters will be enforced. Fourth, credit risk management will be promoted and risk management policy system will be

continually improved. Fifth, we will strengthen risk management on real estate development loans, local government financing vehicle loans, loans offered to excess production capacity industries, and other key risk areas. Sixth, the system's support for credit business will be increased. Seventh, market risk management will be pushed forward further, the market risk internal modeling approach project will be completed and the risk management mechanism will be improved. Eighth, operation risk management will be pushed forward further. We will promote the implementation and utilization of the three tools, process collation and the business continuity management system construction.

Internal control

First, we will continue to strengthen the construction of the internal control environment. We will work out Internal Control Policies of Shanghai Rural Commercial Bank to gradually improve the internal policy system. We will regularly organize internal control officers and business specialists to collate business processes in a comprehensive way and continue to conduct effective collation of rules and regulations. We will evaluate the adequacy and effectiveness of the internal control of the Company based on regulatory requirements. We will organize special self-inspection on strengthening internal control to control illegal operation, violation of the law, and crime, as well as standardize operation of all businesses. We will establish authorization communication mechanisms for orderly authorization throughout the Bank. Second, we will promote fraud/violation prevention. We will collate position setting to identify key positions, strictly implement compulsory leave and position shifts and a rotation system as well as increase the personnel checking frequency and strength. We will enforce flexible working hours for and screen out misconduct of outlet managers. We will also increase the frequency and strength of investigation of staff misconduct, as well as continuously explore new investigation approaches, monitor and give early warning in various aspects when any weird funds movement occurs in staff accounts. We will also conduct spontaneous inspection of high-risk businesses, high-risk processes, high-risk positions and other frequently-occurring fields to eliminate potential risks. We will carry out special investigation of capital and personal information safety of the clients and gradually establish long-term customer funds and information safety system. Third, we will improve auditing and evaluations. Special auditing and evaluations will be conducted for the closing of new Basel Accord projects, embedded risk management models operation, design of new products and new business, sales and risk control, financial budgeting and expense use, trade financing business development and internal control, and for the on-the-counter accounting risk and other business risks. IT internal management will be reinforced. Our auditing model will be improved, and off-site model-based monitoring and special-topic analysis will be carried out regularly to deepen off-site auditing.

Compliance management

According to the new three year development strategy as well as the regulatory requirements, the Company will strengthen regulatory communication, and key message delivery and interpretation; pilot contract automatic examination and approval in IT fields, realize seamless integration between legal approval

and centralized purchase procedures by building an express channel between the tangible asset system and the GRC system and control legal risk through the system. We will continue to enhance auditing quality on legal documents in accordance with the latest regulatory requirements and legal regulations, roll out professional auditing mechanisms of legal risks and continue to enrich contract templates. In response to the new requirements on compliance management, we will improve special inspection on compliance, including the increase of branch compliance managers' document review quality checks.

Talent workforce

We will continue to improve our HR system, work towards delicate management style, encourage the development of managers and employees according to the development strategy. Regulations will be strictly implemented to further improve mechanisms of talent selection and use, update management back-up pool, adjust the manager retirement age and ensure proper replacement and succession of the leadership team. Assessment will be optimized by strengthening BU performance assessment, widening the gap in performance bonuses and encourage interaction between managers and staff. We will steadily press ahead with examinations of business qualifications, subdivide our business lines, build professional teams including relationship managers, product managers, risk managers, credit approval managers, operating managers and IT managers. Various professionals will be introduced and reserved and a three-year-plan for talent development will be implemented further. According to the transtrategy of "branch transformation and sales-driven", employee training will be carried out level by level. Training channels will be diversified into online, video and simulated study sessions, plus mobile and WeChat trainings. We will will restructure our training services, improve our training management mechanism and strengthen the use of training results.





Golden e-commerce advertisement featuring a shopping cart filled with various fruits and vegetables, a computer mouse, and a monitor displaying a website. The text "金鑫e购" (Golden e-commerce) and "网上商城" (Online Mall) is prominently displayed in large, stylized characters. Below the shopping cart, the text "品质保证 直送到家" (Quality guaranteed, delivered straight to home) and the website "mall.srcb.com" are visible.

金鑫e购
网上商城

品质保证
直送到家
mall.srcb.com



Advertisement for website construction services. It features a computer screen displaying a website with the URL "www.xinhushang.com.cn". Below the screen, the text "WEB SITE" is written in large, stylized letters, followed by "企业免费建设网站" (Free website construction for enterprises). The background includes illustrations of construction cranes and a building.

www.xinhushang.com.cn

WEB SITE

企业免费建设网站



Advertisement for WeChat Bank (微信银行). It features a hand holding a smartphone displaying the WeChat Bank interface. The text "微信银行" (WeChat Bank) is prominently displayed in large, stylized characters, followed by "轻松享用指尖上的银行服务" (Easily enjoy bank services on your fingertips). The background includes a green speech bubble with the text "上海农商银行 SRCB" (Shanghai Rural Commercial Bank SRCB) and a small illustration of a person using a smartphone.

微信银行

轻松享用
指尖上的
银行服务

上海农商银行
SRCB

2

**Serve real economy,
intensively and meticulously
cultivate the financial market,
consolidate and expand the
advantages of network offices,
and accelerate the innovation of
products and services**

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C Changes in Share Capital and Shareholders

Changes in Share Capital

Shareholders



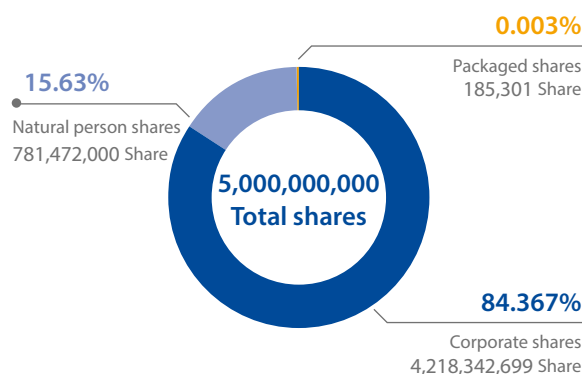
I. Changes in Share Capital

(I) Share capital structure

Unit: Share(s)

Type of shareholder	Number of shares	Percentage to total capital
Corporate shares	4,218,342,699	84.367%
Natural person shares	781,472,000	15.63%
Packaged shares*	185,301	0.003%
Total shares	5,000,000,000	100%

*Packaged shares: Under Document (2004) No. 61 of CBRC, any capital stock where the original rural credit cooperatives cannot identify the shareholder shall be converted into a 'packaged share' and be subject to additional processes after identification of the actual shareholder.



(II) Issuing of shares

None during the reporting period.

II. Shareholders

(I) Number of shareholders and their shareholdings

At the end of the reporting period, the Bank had a total of 24,681 shareholders, of which 219 were corporate shareholders, 24,461 were individual shareholders and 1 was a holder of packaged shares.

Top 10 shareholders and their shareholdings, and changes as at the end of the reporting period:

Unit: 10,000 share

No.	Shareholder's name	Nature of shareholder	Share proportion	Total number of shares	Increase/decrease during the reporting period
1	Australia and New Zealand Banking Group Limited	Foreign corporate shares	20.00%	100,000.00	-
2	Shanghai International Group Co., Ltd.	State-owned corporate shares	8.01%	40,046.07	-
3	Shanghai State-owned Assets Operation Co., Ltd.	State-owned corporate shares	8.01%	40,046.07	-
4	China Pacific Life Insurance Co., Ltd.	State-owned corporate shares	7.00%	35,000.00	-
5	Shenzhen Lenovo Service and Technology Park Co., Ltd.	General corporate shares	5.73%	28,655.39	-
6	Shanghai Shengrong Investment Co., Ltd.	State-owned corporate shares	4.91%	24,526.95	-
7	Rizhao Steel Holding Group Co., Ltd.	General corporate shares	4.90%	24,500.00	-
8	Shanghai International Group Assets Management Co., Ltd.	State-owned corporate shares	4.00%	20,023.04	-
9	Greenland Holding Group Co., Ltd.	State-owned corporate shares	4.00%	20,000.00	-
10	Shanghai Shanxin Real Estate & Development Co., Ltd.	General corporate shares	1.32%	6,600.00	-
Total			67.88%	339,397.52	

Explanation of the associations between above shareholders and frozen shares held by shareholders

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

(II) Summary of shareholders with more than 5% shares

1. Australia and New Zealand Banking Group Limited (ANZ) holds 20% of the shares of the Bank.

Established in 1835, the company has a history as long as 180 years. ANZ is one of the four biggest banks in Australia and also the biggest bank in New Zealand and Pacific region, ranked among the top 20 of the world banks. Headquartered in Melbourne, ANZ has more than 1220 branches and outlets worldwide, and its service network covers 33 countries and regions including Australia, New Zealand, Asia, Pacific, West Europe, North America, and the Middle East. With around 9 million consumers and 50,000 employees, ANZ enjoys a credit rating of AA from three major credit rating agencies and its market capitalization tallied AUD 87.94 billion in January 2015.

2. Shanghai International Group Co., Ltd. (SIG) holds nearly 8.01% of the shares of the Bank.

It is a solely state-owned company which was established in April 2000, with registered capital of RMB 10.56 billion Yuan. SIG performs three major functions, namely: investing and holding, capital operation, and state-owned asset management. The Company is authorized by the Shanghai Municipal People's Government to carry on investment (with emphasis on financial investment), capital operation, asset management, financial research, socioeconomic consultancy and other services.

3. Shanghai State-owned Asset Operation Co., Ltd. holds nearly 8.01% of the shares of the Bank.

Established in October 1999, the company is a wholly-owned subsidiary of Shanghai International Group. It has a registered capital of RMB 5 billion and its assets total RMB 20 billion. With asset management at its core, the company makes investments through marketization and acquires and disposes non-performing assets of the financial enterprises in batches.

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

It was established in November 2001 with China Pacific Insurance (Group) Co., Ltd. as the holding company with registered capital of RMB 7.6 billion Yuan and is mainly engaged in life insurance business, including life insurance, health insurance, personal accident insurance and re-insurance of the above business, as well as the use of funds as stipulated in the Insurance Law and relevant laws and regulations, and other businesses as approved by the China Insurance Regulatory Commission (CIRC).

5. Shenzhen Lenovo Science and Technology Park Co., Ltd. holds nearly 5.73% of the shares of the Bank.

Established in April 2001, the company has the main business scope as follows: property smart informationalization research, information network technology development, research in electronic communication technology (excluding restricted projects). It also leases self-owned properties.

D 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 and Supervisors and Senior Management

Title	Name	Gender	Year of birth	Date of attendance	Gaining salary (√)	Number of shares (shares)
Members of the Board of Directors						
Chairman	Hu Pingxi	Male	1953	2009.9.8 - Present	√	500,000
Vice Chairman	Hou Funing	Male	1964	2009.9.8 - Present	√	500,000
Employee Director	Shen Xunfang	Male	1958	2009.9.8 - Present	√	500,000
Shareholder Director	Nigel Henry Murray Williams	Male	1962	2014.4.30 - Present		
Shareholder Director	Alistair Marshall Bulloch	Male	1957	2009.9.8 - Present		
Shareholder Director	Yu Zhongmin	Male	1957	2014.4.30 - Present		
Shareholder Director	Deng Weili	Male	1964	2014.4.30 - Present		
Shareholder Director	Chen Shuai	Male	1974	2014.4.30 - Present		
Shareholder Director	Zhang Liping	Male	1953	2014.4.30 - Present		
Shareholder Director	Xue Jian	Male	1965	2011.3.16 - Present		
Shareholder Director	Chen Gang	Male	1965	2014.4.30 - Present		
Shareholder Director	Wu Zhengkui	Male	1974	2011.12.27 - Present		
Independent Director	Su Zhong	Male	1948	2009.9.8 - Present		100,000
Independent Director	Yu Yinghui	Male	1948	2009.9.8 - Present		
Independent Director	Liu Hongzhong	Male	1965	2009.9.8 - Present		
Independent Director	Wu Jian	Male	1968	2009.9.8 - Present		
Secretary of the Board of Directors	Liu Yongfen	Male	1965	2009.9.8 - Present	√	300,000
Members of the Board of Supervisors						
Internal supervisor	Shen Huiqi	Male	1950	2009.9.8 - Present		500,000
Shareholder Supervisor	Li Shan	Female	1970	2011.4.29 - Present		
Shareholder Supervisor	Wu Zhenlai	Male	1950	2009.9.8 - Present		50,000
Shareholder Supervisor	Zhang Lei	Male	1971	2009.9.8 - Present		
Shareholder Supervisor	Lu Changsheng	Male	1959	2009.9.8 - Present		30,000
Employee Supervisor	Li Min	Female	1961	2014.11.8 - Present	√	300,000
Employee Supervisor	Zhang Qi	Female	1965	2014.11.8 - Present	√	100,000
Employee Supervisor	Zhang Zuyu	Male	1957	2009.9.8 - Present	√	100,000
External Supervisor	Wu Xing	Male	1945	2009.9.8 - Present		
External Supervisor	Jiang Hong	Male	1950	2009.9.8 - Present		
Senior management						
President	Hou Funing	Male	1964	2009.9.8 - Present	√	500,000
Vice president	Shen Xingbao	Male	1958	2009.9.8 - Present	√	500,000
Vice president	Ye Guorong	Male	1957	2009.9.8 - Present	√	500,000
Vice president	Li Jin	Male	1963	2010.9.9 - Present	√	300,000
Vice president	Jin Jianhua	Male	1965	2010.9.9 - Present	√	300,000
Vice president	Shi Meiliang	Male	1963	2010.9.9 - Present	√	300,000
Chief Risk Officer	Wu Guohua	Male	1964	2010.9.9 - Present	√	500,000
Chief Information Officer	Zhou Hengchang	Male	1965	2009.9.8 - Present	√	500,000
Chief Credit Officer	Wang Ming	Male	1957	2009.9.8 - Present	√	150,000

II. Work Experience of Directors, Supervisors and Senior Management

(I) Members of the Board of Directors

1. Directors

Hu Pingxi, male, born in October 1953, Master of Finance and Senior Economist. Mr. Hu is currently Party Secretary and Chairman of SRCB. Mr. Hu previously served as Vice President of the People's Bank of China, Zhejiang Branch, Deputy Director of the State Administration of Foreign Exchange, Zhejiang Branch, Secretary of the Party Leadership Group, President of the People's Bank of China, Fujian Branch, Director of the State Administration of Foreign Exchange, Fujian Branch, Party Secretary and President of the People's Bank of China, Wuhan Branch, Director of the State Administration of Foreign Exchange Hubei Branch, Party Secretary and President of the People's Bank of China, Shanghai Branch, Director of the State Administration of Foreign Exchange, Shanghai Branch, Deputy Party Secretary and Deputy Director of the People's Bank of China, Shanghai Headquarters, and Director of the Trade Union Working Commission.

Hou Funing, male, born in February 1964, Master's Degree, Senior Economist. Mr. Hou is currently Deputy Party Secretary, Vice Chairman and President of SRCB. Mr. Hou previously served as General Manager, Treasury and Finance Department, Office Manager, Assistant President and Office Manager, Assistant President and General Manager of the Sales Department, Vice President of the Bank of Shanghai, and Deputy Party Secretary and Director of the Shanghai Rural Credit Cooperatives Union.

Shen Xunfang, male, born in April 1958, Doctoral Candidate. Mr. Shen is currently Deputy Party Secretary, Secretary of the Discipline Inspection Commission and Director of SRCB. Mr. Shen previously served as Secretary of the Director of the General Office of Shanghai Municipal People's Government, and Deputy Party Secretary and Secretary of the Discipline Inspection Commission of Shanghai Rural Credit Cooperatives Union.

Nigel Henry Murray Williams, male, born in September 1962, New Zealander with a Bachelor's Degree of Business. Mr. Williams is currently the Chief Risk Officer of ANZ Group, director of ANZ Bank (New Zealand) Co., Ltd, and director of SRCB. Most recently he was Managing Director of Institutional Australia and has previously held the role of Managing Director Institutional, Corporate and Commercial Banking in New Zealand. He joined ANZ in 2004 following the acquisition of The National Bank of New Zealand where he held various Credit, Markets, Treasury and Operational roles within the Lloyds TSB Group.

Alistair Marshall Bulloch, male, born in November 1957, Bachelor with Honours. Mr. Bulloch currently is Managing Director/Head of Asia Partnerships and also serves as Directors, including: Chairman and Director of Votaint No. 1103 Pty Ltd., Chairman of the Liquidation Committee and Director, ANZ/V-Trac International Leasing Company, Chairman of Risk and Audit Committee and Director, ANZ Pensions (UK) Ltd., Director of ANZ Bank (Lao) Ltd., Chairman and Director of ANZ Bank (Taiwan) Ltd., Chairman and

Director of ANZ Royal Bank (Cambodia) Ltd., Director of Jikk Pty Ltd., Director of United (Cambodia) Land Company Ltd., Director of Saigon Securities Inc., Director of ANZ Bank (China) Limited, Director of AMMB Holdings Berhad, Chairman and Director of ANZ Bank (Vietnam) Limited, Chairman and Director of ANZ Insurance Broker Co., Ltd., Director of ANZ Bank (Europe) Limited, Director of ANZ Capital (PVT) Ltd., Chairman and Director, Chongqing Liangping ANZ Rural Bank Company, Director of Shanghai Rural Commercial Bank, and Director of Bank of Tianjin. Mr. Bulloch joined ANZ as CEO North East Asia and CEO Hongkong and then held positions including Deputy CEO Asia Pacific, Europe and America, and Managing Director and Senior Advisor, Asia Pacific, Europe and America. Previously he has also served as Head of Wholesale Bank of Standard Chartered First Bank, Korea, Head of Client Relationships, Standard Chartered Bank, China and Head of Client Relationships, Standard Chartered Bank, Taiwan.

Yu Zhongmin, male, born in January 1957, Master's degree, Senior Economist. Mr. Yu serves as Chairman of the Supervisor Board of Shanghai International Trust Co., Ltd.; Chairman of the Supervisor Board of China International Fund Management Co., Ltd.; Director of Guotai Junan Securities; Director of Tullett Prebon SITICO (China) Ltd.; and Director of SRCB. Mr. Yu previously served as Deputy Secretary of the Youth League General Branch of Shanghai University of Traditional Chinese Medicine, was the Assistant Editor of the Law Journal of East China University of Political Science and Law, was Deputy Dean of the Law Department of East China University of Political Science and Law, was the Director of Auditing and Organization Departments under Shanghai Securities Management Office, was the Director of Auditing and Organization Departments under Shanghai Securities Management Office of CSRC; served as the Manager of Investment Management Department of Shanghai International Group Co., Ltd., was Deputy Chairman, General Manager, and Deputy Secretary of Party Committee of Shanghai Securities Co., Ltd. and was the General Manager at the HQ of Financial Management of Shanghai International Group Co., Ltd.

Deng Weili, male, born in September 1964, PhD in Economy. Mr. Deng serves as Deputy Secretary of the Party Committee, 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.; Director of Shanghai Shipping Industrial Funds Management Co., Ltd.; Director of Guotai Junan Securities Co., Ltd.; Director and Legal Representative of Shanghai Dasheng Asset Operation Co., Ltd.; Chairman of Shanghai Guoxing Investment Development Co., Ltd.; Director of TRC Bank and Director of SRCB. Mr. Deng previously served as a lecturer, Secretary of the General Party Branch of Management Science Department at Fudan University, Associate Professor of the School of Management at Fudan

University, Deputy Director of the HR Department and Director of Talent Introduction Office at Fudan University, Deputy General Manager of Shanghai Tiancheng Venture Co., Ltd.; Deputy General Manager, General Manager of Shanghai Guoxing Investment Development Co., Ltd.; Vice President of Shanghai State-owned Asset Operation Co., Ltd.

Chen Shuai, male, born in March 1974, Master of Business Administration. Mr. Chen serves as Managing Director of Hony Capital Investment (Tianjin) (LP), Director of Century Ginwa Incorporated Company, Director of BOC International Securities Co., Ltd.; Director of Rongzhong Group Co., Ltd.; Director of Rongzhong Capital Investment Group Co., Ltd.; Director of Chengtou Holding Co., Ltd.; and Director of SRCB. Mr. Chen previously served as a Senior Financial Officer at Wumart Stores Inc, Investment Manager of Investment Department and Urban Strategic Logistics Department of D'Long International Strategic Investment Company.

Zhang Liping, male, born in November 1953, Master of Economy, Senior Administration Engineer and Senior Economist. Mr. Zhang serves as Secretary of Party Committee and Chairman of Shanghai Guoseng Group Co., Ltd., President of Shanghai State-Owned Capital Operation Research Institute, Director of SRCB. Mr. Zhang previously served as Deputy Secretary, Secretary of Youth League Committee, Member of Party Committee, Director of Publicity Department, director of Enterprise Management Department and Deputy Secretary of Party Committee of Shanghai Instruments and Telecommunications Bureau, Deputy General Manager of Instrument State-owned Management Co., Ltd., Deputy Secretary of Party Committee, Deputy Chairman, President of Shanghai INESA (Group) Co., Ltd., Secretary of Party Committee and Chairman of Shanghai Light Industry Holding Company (Group), Deputy Standing Secretary of Party Committee (bureau level), Secretary of District Party Committee, Director of District People's Congress of Fengxiang District, Shanghai

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

Chen Gang, male, born in April 1965, Master's degree, Senior Economist. Mr. Chen currently serves as Chairman of Tullett Prebon SITICO (China) Ltd., Director of Longjiang Bank Co., Ltd., Director of AJC Co., Ltd and Director of SRCB. Mr. Chen previously served as Project Manager of Finance Department of Shanghai International Trust Investment Corporation, Director and Deputy General Manager of Shanghai Lianhe Finance Co., Ltd., Deputy General Manager of Finance and General Manager of President's Office of Shanghai State-owned Assets Operation Co., Ltd., Executive Vice President of Hong Kong Dingtong Investment Co., Ltd., Director of HR, Shanghai State-owned Assets Operation Co., Ltd., Deputy General Manager and General Manager of Administration HQ, General Manager of Investment Management of Shanghai International Group Co., Ltd., Deputy Secretary of

Party Committee, General Manager of SIG Asset Management Co., Ltd.

Wu Zhengkui, male, born in October 1974, Masters Degree in Accounting, Accountant. Mr. Wu currently serves as Deputy General Manager of the Finance Department of Shanghai Greenland (Group) Co., Ltd., Director of Shanghai Greenland Construction (Group) Co., Ltd., Director of Shanghai Greenland Energy Group Co., Ltd, Director of Bank of Jinzhou Co., Ltd., Director of Shanghai Yunfeng (Group) Co., Ltd., Director of Nanjing Urban Construction Development (Group) Co., Ltd., Supervisor of Greenland Finance Investment Holdings Co., Ltd., Supervisor of Orient Securities Company Limited, CFO of Shanghai Xinhua Distribution Group, Director of Greenland (Hong Kong) Holding Co., Ltd. and Director of SRCB. Mr. Wu previously served as Manager of the Finance Department of Shanghai Greenland Construction Co., Ltd., Accounting Supervisor of Shanghai Greenland (Group) Co., Ltd and Assistant General Manager of the Finance Department of Shanghai Greenland (Group) Co., Ltd.

Su Zhong, male, born in February 1948, on-the-job postgraduate with Master's Degree, Senior Economist. Mr. Su is currently the Independent Director of SRCB. Mr. Su previously served as Deputy Chief of the Foreign Investment Division of China Construction Bank, Shanghai Branch, Vice President and Secretary of the Party Leadership Group and President of China Investment Bank, Shanghai Branch, President and Party Secretary of China Development Bank, Shanghai Branch, Party Secretary and Chairman of Dazhong Insurance Company Ltd., and Chief Supervisor of Shanghai Anxin Agriculture Insurance Co., Ltd.

Yu Yinghui, male, born in November 1948, graduated from junior college, Senior Economist. Mr. Yu is currently the Independent Director of SRCB and the Independent Director of SAIC Motor Corporation Limited. Mr. Yu previously served as Chief of Planning-Credit Section of the People's Bank of China, Bazhou Branch Deputy Chief of the Survey and Statistics Division of the People's Bank of China, Xinjiang Branch, Vice President of the People's Bank of China, Urumqi Branch, Deputy Director of the Institute of Finance and Chief of the Monetary Gold and Silver Division of the People's Bank of China, Shanghai Branch, and Deputy Director (Deputy Director Level) of Finance Services at the People's Bank of China, Shanghai Headquarters.

Liu Hongzhong, male, born in June 1965, Doctoral Candidate. Mr. Liu currently is Head and Professor of the International Finance Department, Deputy Director of the International Finance Research Centre, and Vice President of the Institute for Financial Studies at Fudan University, Independent Director of SRCB, Independent Director of CIFM, External Director Shanghai Construction Group Co., Ltd, Independent Director of Shenyin & Wanguo Futures Co., Ltd., and Independent Director of Donghai Futures Co., Ltd. Mr. Liu previously served as Associate Professor and Associate Head of the International Finance Department of Fudan University, and External Supervisor of SRCB.

Wu Jian, male, born in March 1968, master's degree, Lawyer. Mr. Wu is currently a Senior Partner at Shanghai Duan&Duan Law Firm, Director of the All China Lawyers Association, Deputy to the

14th National People's Congress of Shanghai, Executive Director of the Shanghai BAR Association, Vice Chairman of the Shanghai Foreign-capital Enterprise Consulting Working Committee, Special Supervisor of Shanghai High People's Court, Special Supervisor of Shanghai Public Security Bureau, Guest Professor of East China University of Political Science and Law and University of Communication, and Independent Director of SRCB. Mr. Wu previously served as Legal Advisor to Asian McDonald's Co., Ltd., Assistant Economist of the Price Bureau of the Shanghai Planning Commission, and Editor of the East China Commodity Price Newspaper.

2. Secretary of the Board of Directors

Liu Yongfen, male, born in October 1965, Master's Degree, Economist. Mr. Liu currently is Company Secretary and Head of Board Office and Party Committee Office of SRCB. Mr. Liu previously served as Chief of the Foreign Affairs Management Division of the People's Bank of China, Shanghai Branch, and Deputy Director of the Foreign Exchange Management Department of the People's Bank of China, Shanghai Headquarters.

(II) Supervisors

Shen Huiqi, male, born in October 1950, Bachelor's Degree. Mr. Shen currently is the Supervisor of SRCB. Mr. Shen previously served as a Member of the Standing Committee and Deputy Chief Executive of Shanghai Jiading District, and Vice Secretary and Chief Executive of Shanghai Fengxian District, Inspector and supervisor of Party Construction of SRCB.

Li Shan, female, born in November 1970, Master's Degree. Ms. Li currently is General Manager of the Asset Management Department of China Pacific Life Insurance (Group) Co., Ltd., and Supervisor of SRCB. Mrs. Li previously served as Chief of Audit Division V of the Audit Department, Senior Managing Director of the Planning & Finance Department and Chief of the Asset Management Division, Assistant General Manager of the Finance & Accounting Department, Deputy General Manager of the Audit Department and General Manager of the Asset Management Department of China Pacific Life Insurance (Group) Co., Ltd.

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

Zhang Lei, male, born in May 1971, Master's Degree. Mr. Zhang currently serves as Secretary of Party Committee of Shanghai Silk Group Co., Ltd and Supervisor of SRCB. Mr. Zhang previously served as Secretary of Youth League Committee, Deputy Director of Asset Operation, Deputy Director of Office, Secretary of the Board and Director of the Office, at Orient International (Holding) Co., Ltd.

Lu Changsheng, male, born in July 1959, graduated from junior college. Mr. Lu is currently Manager of the Security Consulting Services Branch of Shanghai Qingpu Asset Management Co., Ltd.,

Manager of Shanghai Qingpu Grain and Oil Reserve Management Co., Ltd., and Supervisor of SRCB. Mr. Lu previously served as Manager of Shanghai Qingpu Grain and Oil Industrial Food Co., Ltd.

Li Min, female, born in June 1961, Bachelor's degree, Administration Engineer. Ms. Li currently serves as Senior Councilor (General Manager Level) and Supervisor of SRCB. Ms. Li previously served as Assistant General Manager, Deputy General Manager of the Auditing Department, ICBC Shanghai Branch, Vice President of ICBC Jinshan Sub-branch, General Manager of the Auditing Department, SRCB.

Zhang Qi, female, born in July 1965, Bachelor's degree, Accountant. Ms. Zhang currently serves as Vice President of SRCB Pudong Branch, and Supervisor of SRCB. Ms. Zhang previously served as Office Director, Assistant President of SRCB Pudong Branch.

Zhang Zuyu, male, born in December 1957, graduated from junior college, Economist. Mr. Zhang is currently of Manager of the Asset Monitoring Department of SRCB Jinshan Branch, and Supervisor of SRCB. Mr. Zhang previously served as Director of Jinshan Zhangyan Rural Credit Cooperative, President of SRCB Zhangyan Branch, Manager of the Auditing and Supervision Department and Sales Manager of SRCB, Jinshan Branch.

Wu Xing, male, born in June 1945, graduated from junior college, Senior Economist. Mr. Wu is currently External Supervisor of SRCB. Mr. Wu previously served as Vice President of Industrial and Commercial Bank of China, Anhui Branch, Commissioner of the Wuhan Office of the Auditing and Supervision Bureau of Industrial and Commercial Bank of China, General Manager of the Auditing and Supervision Bureau of Industrial and Commercial Bank of China, Director of the Internal Audit Bureau of Industrial and Commercial Bank of China, and Independent Director of SRCB.

Jiang Hong, male, born in February 1950, Doctor Degree, Professor and doctor graduate tutor. Mr. Jiang is currently Director and Doctor Graduate Tutor of the Professor's Committee of the School of Public Economics and Administration and Director of the Public Policy Research Centre at the Shanghai University of Finance and Economics, and External Supervisor of SRCB. Mr. Jiang previously served as Associate Head of the Finance Department and President of the College of Public Management at the Shanghai University of Finance and Economics.

(III) Senior management

Hou Funing, (Refer to work experience of Members of the Board of Directors for details).

Shen Xingbao, male, born in August 1958, master's degree, senior political administration accreditation. Mr. Shen is currently Vice President of SRCB. Mr. Shen previously served as Secretary of the Party Leadership Group and Director of the Yangpu Environment Protection Bureau, Secretary of the General Party Branch and General Manager of the Yangpu Management Department of

Bank of Shanghai, General Manager of Bank of Shanghai's SME Service Centre, Office Manager of Bank of Shanghai, Deputy Party Secretary and Secretary of the Discipline Inspection Commission of Dazhong Insurance Company Ltd., Deputy Director of the Shanghai Rural Credit Cooperatives Union, and Director of SRCB.

Ye Guorong, male, born in November 1957, MBA, and Accountant. Mr. Shen is currently Vice President of SRCB. Ms. Zhang previously served as President of Huanlong Branch, and President of the Zhabei District Lead Branch of Bank of Shanghai, and General Manager of the Accounting and Settlement Department of Bank of Shanghai.

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

Jin Jianhua, male, born in January 1965, Doctoral Candidate and Economist. Mr. Jin is currently Vice President of SRCB. Mr. Jin previously served as President of Bank of Shanghai, Fumin Branch, President of Bank of Shanghai, Waitan Branch, Financial Institution Deputy Chief, Chief (temporary position) of the Shanghai Financial Services Office, and Assistant President of SRCB.

Shi Meiliang, male, born in March 1963, MBA. Mr. Shi is currently Vice President of SRCB. Mr. Shi previously served as Minister of the Shanghai Municipal Region Office, Rights and Interest Department of the Communist Youth League, Office Manager of the Shanghai Rural Credit Cooperatives Union, Director of Changning Credit Cooperatives Union, and President of SRCB Changning Branch and Putuo Branch.

Wu Guohua, male, born in February 1964, Master's Degree, Economist. Mr. Wu is currently Chief Risk Officer of SRCB. Mr. Wu previously served as General Manager of the Business Department of Minsheng Bank, Shanghai Branch, Assistant Director of the Shanghai Rural Credit Cooperatives Union, and Assistant President of SRCB.

Zhou Hengchang, male, born in October 1965, Master of Economics, and Senior Engineer. Mr. Zhou currently serves as Chief Information Officer and General Manager of IT Department, SRCB. Mr. Zhou previously served as Deputy Chief of the Business Applications Division of the Information Technology Department of the Bank of Communications, Assistant General Manager of the Software Development Centre of Bank of Communications, and General Manager of the Information Management Department of SRCB.

Wang Ming, male, born in October 1957, MBA, and Economist. Mr. Wang is currently Chief Credit Officer and Credit Approval Department General Manager of SRCB. Mr. Wang previously served as President of SRCB Songjiang Branch, and General Manager of Risk Management Department of SRCB.

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

Directors of the SRCB 2nd Board of Directors Mr. Gilles Planté, Mr. Lu Min, Mr. Shou Weiguang, Mr. Yuan Bing, Mr. Shi Derong, and Mr. Liu Yipeng resigned from the Board of Directors for work reasons on March 31, 2014. The Company held its annual general meeting of 2013 on April 30, 2014, and elected Mr. Nigel Henry Murray Williams, Mr. Yu Zhongmin, Mr. Deng Weili, Mr. Chen Shuai, Mr. Zhang Liping and Mr. Chen Gang as directors of the SRCB 2nd Board based on nomination made by shareholders including Australia & New Zealand Banking Group Limited, Shanghai International Group Co., Ltd., Shanghai State-Owned Asset Operation Co., Ltd., Shenzhen Lenovo Science and Technology Park Co., Ltd., Shanghai Sengrong Investment Co., Ltd., and SIG Asset Management Co., Ltd. Qualification of these six directors was ratified by the regulatory body in July 2014 and their terms of office will commence from the date when such resolution was approved at the General Meeting and end at the expiry of the 2nd Board of Directors. The Company held the 21st meeting of the 2nd Board of Directors on August 6, 2014, where Mr. Nigel Henry Murray Williams was also elected as member of the Risk Management Committee of the Board, Mr. Yu Zhongmin as member of the Strategy Committee of the Board, Mr. Deng Weili as member of the Auditing Committee of the Board, Mr. Chen Shuai as member of the Strategy Committee and member of the Remuneration and Nomination Committee of the Board, Mr. Zhang Liping as member of the Risk Management Committee of the Board and Mr. Chen Gang as member of the Risk Management Committee of the Board. As required by the "Opinions on Issues of Further Regulating Part-Time Position (Title) of Party and Government Leaders in Enterprises" jointly issued by the Central Commission for Discipline and Inspection and the Human Resources Department of the Central Committee of CPC, Mr. Shi Jiliang and Mr. Wu Daqi, independent directors of the 2nd Board of Directors of the Company, resigned from the Board of Directors on March 31, 2014 and August 6, 2014 respectively.

Mr. Lou Jinjiang and Mr. Feng Baolong, staff supervisors of the SRCB 2nd Board of Supervisors, have retired and will no longer serve as staff supervisors. The Company convened the 6th meeting of the 2nd Employee Congress on November 8, 2014 and Ms. Li Min and Ms. Zhang Qi were elected to replace Mr. Lou and Mr. Feng as staff supervisors of the 2nd Board of Supervisors.

Vice President Wang Guanrong, a Management Board member of the Company, submitted resignation to the Board of Directors in October 2014 for personal reasons. Mr. Zhou Hengchang, Chief Information Officer, concurrently served as General Manager of IT Department during the reporting period.

IV. Remuneration and Incentive Mechanism

The Bank remunerates the Non-executive Directors and Supervisors under the provisions of "Duties and Salaries of Directors and Supervisors" in the Administrative Measures of Directors and the Performance Assessment Methods for Directors and Supervisors. Their responsibilities, professional knowledge, required time commitments, and the average allowance of listed finance companies, are also taken into account in determining their remuneration.

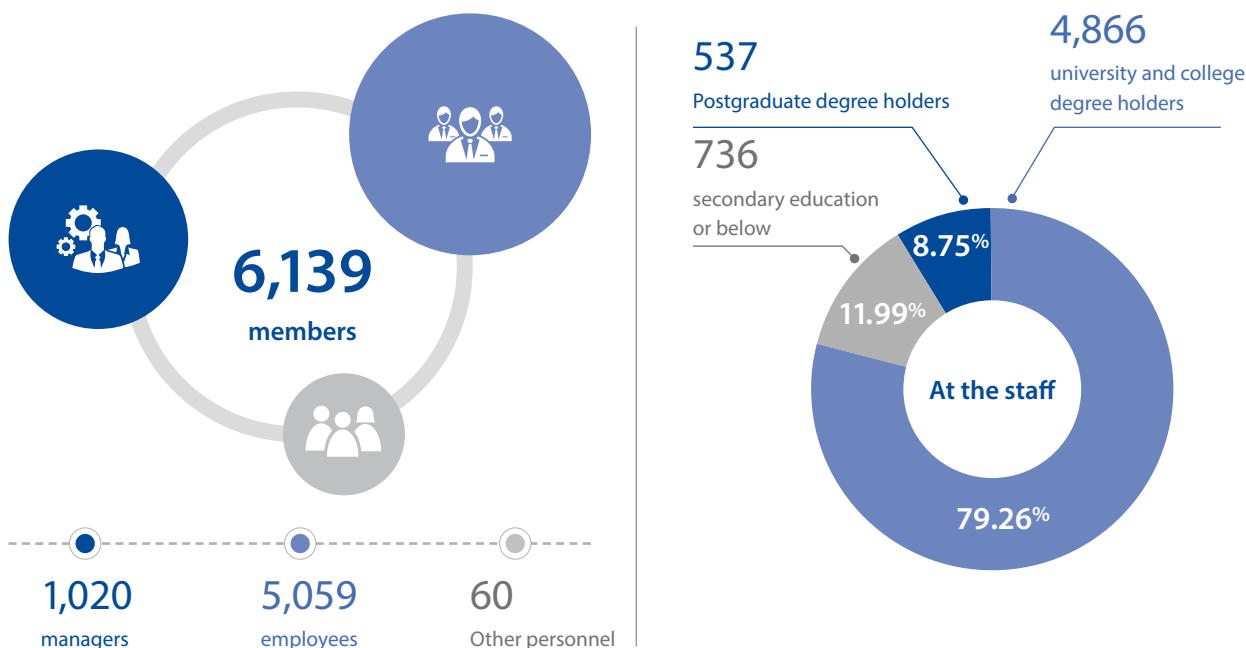
The salary of Non-executive Directors and Supervisors includes annual allowance and duty allowance to subsidize their Board and Committee meeting costs. This includes; the annual allowance standard for Independent Director and External Supervisors of RMB 120,000 Yuan after-tax, and the annual allowance for Directors of Shareholders and Supervisors of Shareholders of RMB 60,000 Yuan after-tax. The salary standards above were reviewed and approved at General Shareholders' Meeting.

During the reporting period, according to the "Opinions on Issues of Further Regulating Part-Time Position (Title) of Party and Government Leaders in Enterprises in Shanghai" issued Human Resources Department of the Shanghai Committee of CPC, leaders of state-owned enterprises and institutions who concurrently hold positions shall not require remuneration, and therefore 7 directors, 3 supervisors of the Company stopped receiving remuneration from us since June 2014.

The salaries paid to the Directors, Supervisors and Senior Management shall be subject to the results of performance evaluation. During the reporting period, the salaries and benefits paid to Directors, Supervisors and Senior Management totaled RMB 17.358 million after tax.

V. SRCB Staff

At the end of the reporting period, the Bank had 6,139 employees, including 1020 managers, 5059 staff and 60 others. In terms of highest education, there are 537 Postgraduate degree holders, accounting for 8.75%; 4,866 Bachelor degree/college diploma holders, accounting for 79.26%; the remaining 736 completed high school/technical school education or below, accounting for 11.99%.



E 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 Company Law of the People's Republic of China, Commercial Bank Law, and Guidelines on Governance of Commercial Bank and other relevant regulations, the Bank further optimized the structure of corporate governance and regulated the operation mechanism of "The Board, the Supervisory Board, and the Management Board" to ensure the decision-making, execution and supervisory functions perform their duties with due care and diligence within their respective authorities. We will ensure the Company's sustainable development, protect the interests of financial consumers and other interested parties, generate returns for our shareholders, and create value for our society.

(I) About Shareholders and Shareholders' Meeting

During the reporting period, the Bank held the 2013 Annual General Meeting, at which 10 agendas were approved and 4 agendas were heard. The procedure of announcing, convening, holding and voting of the General Shareholders' Meeting were in conformity with the Company Law, Articles of Association and other relevant regulations, and confirmed by Junhe Law Firm, Shanghai Branch in a legal opinion letter. Opinions and suggestions of shareholders were heard at the General Shareholders' Meeting to facilitate the shareholders' right to know, right of participation and right to vote for the purpose of creating a fair environment and allowing shareholders to participate fully in decision-making, as well as exercising equality for all shareholders.

(II) Shareholders and the Bank

The share structure of the Bank complies with regulatory rules and policies. None of top five shareholders of the Bank went above the General Shareholders' Meeting to directly or indirectly interfere with business activities and decision-making of the Bank. The Bank and the top five shareholders operate completely independently in personnel, assets, finances, and business. Their Board of Directors, Supervisors, and internal institutions are operated independently.

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

The Second Board of Directors consisted of 16 directors, including 2 Executive Directors, 1 Employee Director, 9 Shareholder Directors and 4 Independent Directors. The number and the composition of the Board of Directors were in conformity with relevant laws and regulations, and the Articles of Association. During the reporting period, all directors performed their duties in a responsible and diligent manner, contributing much time and energy to the new three-year development strategy, improving strategy system, formulating annual financial budgeting and settlement and profit distribution plans, strengthening all-round risk management, internal control, supervising senior officers' effective performance of their duties, assuring the authenticity, completeness, accuracy of financial reports, and performing assessment and evaluation functions and others. Meanwhile, all directors followed up on implementation of strategies, progress of key reform and risk management initiatives, continually pushed forward expansion of financial lease, asset securitization and other new businesses, further improved corporate governance, gave active play to scientific decision-making, ensured compliant and prudent operation and practically protected shareholders' legitimate rights and interests, cared for and safeguarded interests of financial consumers and other stakeholders and effectively performed entrusted duties.

During the reporting period, the Board of Directors of the Company convened 8 meetings, deliberated or heard 65 proposals in total, covering new three-year development strategy, annual operation plan, financial budget, profit distribution plan, investment and establishment of financial leases company, issue of asset-backed securities, resolving South Securities remaining historical problems, risk appetite strategy, internal rating of credit risks, liquidity risk management, business continuity management, authorization management of the Board and the Senior Management, amendment of Articles of Association, improvement of corporate governance system including strategy, operation, risk management, and corporate governance.

The Board of Directors has 5 special committees which are the Strategy Committee, Risk Management Committee, Audit Committee, Remuneration and Nomination Committee, and the Related Party Transactions Control Committee. During the reporting period, various special committees held 18 meetings, and reviewed/heard 59 proposals. The special committees, under their respective duties and standardized operation, paid close attention to the changing macro-economic environment, conducted extensive research, provided constructive advice, undertook an evaluative role in supervising and evaluating the implementation of resolutions of the Board of Directors, assisted the Board of Directors in performing its duties effectively and making proper decisions, and helped to continuously improve the Bank's operational management level.

The Bank has one Company Secretary who is responsible for external information disclosure and Board routine work.

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

The Second Board of Supervisors consisted of 10 supervisors, including 1 internal supervisor, 4 shareholder supervisors, 3 staff supervisors, and 2 external supervisors. The number and the composition of the Board of Supervisors were in conformity with relevant rules and the Articles of Association. During the reporting period, all supervisors performed their duties and actively participated in and attended all meetings and activities, and provided independent opinions. Their performance of duties has met regulatory requirements, and they have made positive contributions to the healthy development of SRCB.

The Board of Supervisors organized and convened Board of Supervisors meetings and Special Committee meetings to carefully review proposals. Supervisors have carried out research activities, special inspections, supervision and evaluation and financial monitoring, and provided survey feedbacks on issues and suggestions found in inspections, to the Board of Directors and Senior Management, thereby contentiously performing their supervision responsibilities. During the reporting period, the Bank held 4 Board of Supervisors meetings, reviewed 13 proposals and listened to 1 report. The Board of Supervisors consisted of 2 special committees, namely, the Auditing Committee and the Nomination Committee. It held 4 meetings and approved 6 proposals in total.

(V) Senior Management and Special Committees

Senior management team consisted of 1 President, 5 Vice Presidents, 1 Chief Risk Officer, 1 Chief Information Officer and 1 Chief Credit Officer. During the reporting period, the senior management team promoted healthy and transitioning development, actively adapted to changes in the economy, regulatory policies and market environment. Based on the annual strategic focuses and the strategies and decisions of the Board of Directors, senior executives have duly performed their responsibilities, actively propelled the execution of various strategies and development measures, and achieved all goals set by the Board of Directors.

The senior management established a decision-making system for major issues, which consisted of the 8 special committees, namely, the Asset and Liability Management Committee, the Business Continuity Management Committee, the Business Innovation and Promotion Committee, the Internal Control and Risk Management Committee, the Credit Approval Committee, the Risk Assets Resolution Committee, the Information Technology Management Committee, and the Credit Risk Management Committee. During the reporting period, the special committees held 177 meetings and reported or reviewed 1,650 proposals in total.

(VI) Information disclosure and transparency

Strictly in accordance with Interim Measures for the Information Disclosure of Commercial Banks, Articles of Association and Regulations on Information Disclosure of SRCB, 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 released 2 regular reports - the 2013 Annual Report and the 2013 Annual Corporate Social Responsibility Report. The Board of Directors carefully scrutinized the reports, verified the financial data and took final responsibility for the authenticity, completeness and accuracy of the financial reports.

During the reporting period, the Bank made 3 ad-hoc announcements - the 2013 Annual General Meeting, Profile of Director Candidates to Be Reviewed at the Annual General Meeting, and 2013 Dividend Payment Announcement.

II. Performance of Duties of Independent Director and External Supervisors

(I) Performance of duties of independent directors

The Second Board of Directors consisted of 4 independent directors, who are reputable in specialties of economics, finance and law. Among the chairmen of five special committees of the Board of Directors, three are independent directors. Two special committees have more than half of members being independent directors accounted. During the reporting period, the independent directors fulfilled their obligations with care, integrity and diligence. They made suggestions, actively attended the Board of Directors' meeting, further improved the corporation governance, strengthened the decision-making function of the Board of Directors, strengthened asset management, promoted business transitioning, restructuring and risk management system reform, inspired innovation, expanded new business, stabilized operation benefit, protected all interests of the Bank (including the legal interests of small and medium shareholders), and played an active role in decision-making of the Board of Directors.

1. Attendance of independent directors at board meetings

The Second Board of Directors held 8 meetings and all independent directors personally attended the meeting with the exception of 2 authorization to vote on behalf. Independent directors at the board meetings actively contributed and provided many valuable comments and suggestions.

2. Objection brought up by independent directors in relation to issues involved with the Bank

During the reporting period, independent directors did not bring up any objection regarding proposals approved by the Board of Directors or other issues.

(II) Performance of duties of external supervisors

The Second Board of Supervisors has 2 external supervisors. During the reporting period, the Second Board of Supervisors held 4 meetings. The external supervisors actively participated in the meetings. The external supervisors actively provided independent opinions at the meetings and were held accountable to 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 fulfillment of the supervisory duties by the Board of Supervisors. Both Chairmen of the two Special Committees of Board of Supervisors were external supervisors.

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

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

IV. Decision-making System of the Bank

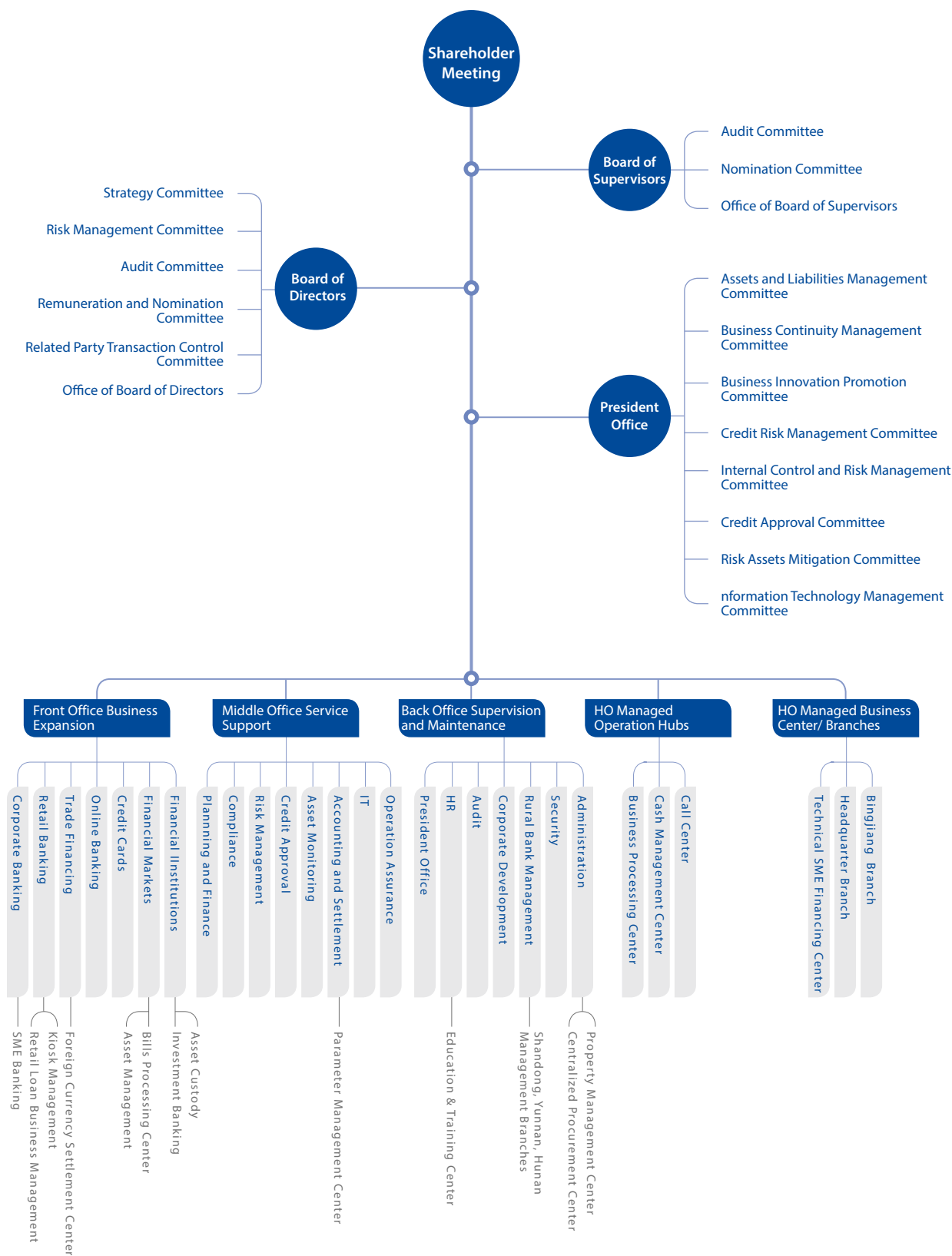
The General Shareholders' Meeting is the highest authority of the Bank and assumes responsibility to make decisions concerning important matters. As a decision-making body of the Bank, the Board of Directors plays a critical role in decision-making and reviewing. The Board of Supervisors is the body which undertakes the roles of supervisor and appraiser. The President, appointed by the Board of Directors, is responsible for all business management, effective implementation and all resolutions made by the Board of Directors on behalf of the senior management and under the authorization of the Board of Directors and the supervision of the Board of Supervisors. The Bank implemented a system of "a single corporate body, centralized operations hub, tiered management, and authorized operation". The branches are dependent accounting units whose businesses and management activities are based on the authorization of Head Office and who are responsible to the Head Office.

V. Senior Management Assessment and Incentive

The Board of Directors of the Company authorized the Remuneration Committee and Nomination Committee to evaluate the performance of executive directors and staff directors in 2013, assess the business operation, profit and risk control performance of the senior executives, and issue the performance report. The Proposal on 2013 Annual Performance Appraisal for the Senior Executives, Executive Directors and Employee Directors was reviewed and approved by the SRCB 20th Meeting of the Second Board of Directors. The Board of Supervisors issued an assessment report on the performance of senior management each year.

The Company deferred payment for remuneration of department heads (deputies) during the reporting period.

VI. Organizational Chart



F Introduction to Annual General Shareholders' Meeting

Annual General Shareholders' Meeting



Annual General Shareholders' Meeting

On April 30, 2014, the 2013 Annual General Shareholders' Meeting was held at No.8 Yincheng Middle Rd, Shanghai. A total of 81 shareholders and representatives attended the meeting, representing 3.805 billion shares, accounting for 76.01% of the total share capital of the Bank. Directors, supervisors and non-director senior executives attended the Meeting without voting rights.

This meeting reviewed and approved Proposals of SRCB on Financial Performance in 2013 and Financial Budgeting Plan for 2014, Proposal of SRCB on Profit Distribution Plan for 2013, Proposal on Work Report of the Board of Directors of SRCB in 2013, Proposal on Work Report of the Board of Supervisors of SRCB in 2013, Proposal on Election of Mr. Nigel Henry Murray Williams as Member of the Board of Directors of SRCB, Proposal on Election of Mr. Yu Zhongmin as Member of the Board of Directors of SRCB, Proposal on Election of Mr. Deng Weili as Member of the Board of Directors of SRCB, Proposal on Election of Mr. Chen Shuai as Member of the Board of Directors of SRCB, Proposal on Election of Mr. Zhang Liping as Member of the Board of Directors of SRCB, Proposal on Election of Mr. Chen Gang as Member of the Board of Directors of SRCB. The Meeting also heard 2013 Financial Statement Auditing Report of SRCB, 2013 Director Performance Report, 2013 Related Parties Transactions Report, and the Report on Implementation of Rectification Measures based on CBRC Regulatory Opinions.

The Annual General Meeting of Shareholders was witnessed by Shanghai Branch of Junhe Law Firm, which prepared letter of legal opinions holding that the convening, holding of the annual general meeting, eligibility of the attending persons, voting procedures were all compliant with the Company Law of the People's Republic of China and the Articles of Association of the Company. All resolutions approved at the Annual General Meeting were legal and effective.



G 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. Profit Distribution Proposal

The Company has developed the profit distribution plan in accordance to the audited accounting statements. According to the standard format unqualified auditing report produced by Deloitte & Touche CPAs Co., Ltd., during the reporting period, the company realized net profit of RMB 4,704,535,993.77. Undistributed profits from previous years were RMB 7,015,502,058.45, and this year's distributable profits were RMB 10,147,690,048.39. The company's profit distribution proposal for 2014 was as follows:

1. Statutory surplus reserve of RMB 470,453,599.38 and discretionary surplus reserve of RMB 1,014,769,004.84 were accrued from profits after tax as reported in the 2014 statutory financial statements.
2. General provision of RMB 1,101,894,404.45 was accrued to ensure the balance of general provision shall remain at the level of 1.5% of the previous year-end risk-and-loss-bearing assets balance of SRCB.
3. A cash dividend totaling RMB 900,000,000.00 (pre-tax) was distributed at the payout ratio of 18% of the par-value of ordinary shares.

The undistributed profits remaining after the above distribution shall be carried over to the next year.

The above profit distribution proposal was implemented after deliberation during the 2014 Annual General Shareholders' Meeting.

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

The company's 2013 profit distribution proposal was approved by the 2013 Shareholders' General Meeting, "distribution of cash dividend of RMB 0.14 per share (pre-tax) for a total of 5,000,000,000 shares, with a share entitlement registration date of 14 May 2014, and all shareholders recorded on the Bank's share register shall be entitled to the distribution, and the dividend distribution date shall be 15 May 2014". A public notice was displayed on the Bank's website. This distribution proposal has been duly implemented.

III. Key Equity Investments (Controlling and Participative)

Unit: RMB 1000 Yuan

SRCB Invested Companies	Proportion of Shares Held by SRCB	Total Investment as of the End of Reporting Period
Shanghai Chongming Shanghai Rural Commercial Rural Bank Co., Ltd.	48.45%	51,000
Jinan Huaiyin Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Changqing Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Ningyang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Dongping Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Linqing Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Liaocheng SRCB Rural Bank Holding Co., Ltd.	51%	25,500
Chiping Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Yanggu Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Rizhao Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Tai'an Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Ningxiang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	51,000
Shuangfeng Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Lianyuan Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Liling Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Shimen Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Cili Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Lixian Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Linli Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Yongxing Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500

SRCB Invested Companies	Proportion of Shares Held by SRCB	Total Investment as of the End of Reporting Period
Guiyang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Hengyang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Changsha Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	51,000
Ruili Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Kaiyuan Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Baoshan Longyang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Mengzi Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Gejiu Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Jianshui Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Linchang Linxiang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Mi'le Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Songming Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Kunming Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	51,000
Shenzhen Guangming Shanghai Rural Commercial Rural Bank Co., Ltd.	41.65%	83,300
Beijing Fangshan Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	51,000
China UnionPay Co., Ltd.	0.24%	5,500
Rural Credit Banking Capital Settlement Center	6%	6,000
Shanghai Huyang Expressway Development Co., Ltd.	35%	265,593
Shanghai Southeastern Suburban Ring Expressway Development Co., Ltd.	45%	88,548
Shanghai Jingyi Industrial Development Co., Ltd.	20.45%	103,611

IV. External Equity Investment

During the reporting period, the Company did not invest on equities of external entities.

V. Use of Raised Funds

By the end of 2010, subject to Approval on the Private Placement Plan and Related Shareholder Qualification Verification of Shanghai Rural Commercial Bank ("SRCB") (HYJF [2010] No.328), the Company has privately offered 1,254,314,224 common stocks to these 8 shareholders: Australia and New Zealand Banking Group Limited, Shanghai State-owned Assets Operation Co., Ltd., Shanghai International Group (SIG), SIG Asset Management Co., Ltd., Shenzhen Lenovo Science & Technology Park Co., Ltd., Rizhao Steel Group International Trade Company, China Pacific Insurance (Group) Co., Ltd. and Shanghai Qingpu Supply & Marketing Cooperatives. It has raised RMB 8.128 billion Yuan, with the capital stock totaling 5 billion shares. Such funds raised from the private placement are all used to enrich the Company's capital in cash and to increase the capital adequacy ratio, for the final purpose of satisfying capital demands from the Company's strategy implementation, business growth and asset disposal. During the reporting period, the Company strictly adhered to its plan on the use of raised funds, and reasonably applied such funds to generate profit.

VI. Audit Report

During the reporting period, the Company hired Deloitte & Touche CPAs to audit its financial statements (including the balance sheet ended on December 31, 2014, Income Statement, Cash Flow Statement, Statement of Changes in Equity, and financial statements notes) for the year 2014 according to Accounting Standards for Enterprises, and to provide proposals on internal control management.

VII. Routine Work of the Board of Directors

(I) Board Meetings

During the reporting period, the Company convened 8 board meetings, and reviewed or heard 65 proposals.



1. On January 27, 2014, the Company convened the 19th Meeting of the SRCB 2nd Board. During the meeting, the "Proposal for 2013 Business Operations and the 2014 Business Plan of Shanghai Rural Commercial Bank", "the Proposal for 2014-2016 Development Strategy Plan of Shanghai Rural Commercial Bank", the "Proposal for the 2013 Work Report and the 2014 Work Plan of the Board of Directors of Shanghai Rural Commercial Bank", "the Proposal for Rules of Procedures of Chairman Work Meeting of Shanghai Rural Commercial Bank", the "Proposal for the 2013 Director Performance Evaluation of Shanghai Rural Commercial Bank", the "Proposal for the 2013 Corporate Governance Self-evaluation Report of Shanghai Rural Commercial Bank", the "Proposal for the 2013 Enterprise Risk Management Self-evaluation Report of Shanghai Rural Commercial Bank", and the "Proposal on the 2013 Compliance Risk Self-evaluation Report of Shanghai Rural Commercial Bank" were reviewed and approved. Moreover, the "Report on 2013 Equity Pledges of Shanghai Rural Commercial Bank", the "ANZ-SRCB 2013 Technical Cooperation Report and 2014 Technical Cooperation Plan", and the "Report on the 2013 Donation by Shanghai Rural Commercial Bank" were also debriefed.

2. On February 17, 2014, the Company convened the 2014 1st Adhoc Meeting of the SRCB 2nd Board Meeting. The "Proposal for Approving Shanghai Rural Commercial Bank's Support and Donation to Chongming County" was reviewed and approved at the meeting.

3. On March 31, 2014, the Company convened the 20th Meeting of the SRCB 2nd Board. During the meeting, the "Proposal on Approving 2013 Financial Statements and Auditing Report of SRCB", the "Proposal on 2013 Financial Performance and 2014 Financial Budget of SRCB", the "Proposal on 2013 Profit Distribution Plan of SRCB", the "Proposal on 2013 Annual Performance Evaluation of Executive Directors, Employee Directors and Management of SRCB", the "Proposal on 2014 Branch Development Plan of SRCB", the "Proposal on Development of Capital Strategy of SRCB for 2014-2016", "Proposal on Risk Management Strategy of SRCB for 2014-2016", "Proposal on Compilation of 2014 Risk Appetite Strategy of SRCB", the "Proposal on Modification to Operation Risk Management Policy of SRCB", the "Proposal on Modification to Outsourcing Risk Management Policy of SRCB", the "Proposal on Formulation of Interim Measures for Internal Transaction Management of SRCB", the "Proposal on Approving of the SRCB Share Transfer Application of Shanghai Yingchun Textile Co., Ltd." and the "Proposal on Convention of 2013 Annual General Meeting of SRCB" were reviewed and approved. Moreover, the "Report on Additional Notes to and Basic Judgment on the 2013 Annual Auditing Report of SRCB", the "Report on 2013 Internal Control and Risk Management Evaluation of SRCB", the "Report on 2013 Related Transactions and Special Auditing Opinion of SRCB", and the "Report on the 2013 Internal Auditing of SRCB" were also debriefed.

4. On April 9, 2014, the Company convened the 2014 2nd Adhoc Meeting of the SRCB 2nd Board Meeting. The Proposal on the Nomination of Mr. Nigel Henry Murray Williams as a

Director Candidate the Board of Directors of SRCB, Proposal on the Nomination of Mr. Yu Zhongmin as a Director Candidate the Board of Directors of SRCB, Proposal on the Nomination of Mr. Deng Weili as a Director Candidate the Board of Directors of SRCB, Proposal on the Nomination of Mr. Chen Shuai as a Director Candidate the Board of Directors of SRCB, Proposal on the Nomination of Mr. Zhang Liping as a Director Candidate the Board of Directors of SRCB, Proposal on the Nomination of Mr. Chen Gang as a Director Candidate the Board of Directors of SRCB and the Proposal on the Increase of Agendas in the 2013 Annual General Meeting of SRCB were reviewed and approved.

5. On August 6, 2014, the Company convened the 21th Meeting of the SRCB Second Board. The Report of Business Operation in the First Half and Work Plan for the Second Half of 2014 of SRCB, the Proposal on Investment in and Establishment of Financial Lease Company of SRCB, the Proposal on Modification to the Business Continuity Management Policy of SRCB, the Proposal on for Fraud/violation Prevention Management Policy of SRCB, the Proposal on Electing Mr. Yu Zhongmin and Mr. Chen Shuai as Members of Strategy Committee of the Second Board of Directors of SRCB, the Proposal on Electing Mr. Nigel Henry Murray Williams, Mr. Zhang Liping and Mr. Chen Gang as Members of Risk Management Committee of the Second Board of Directors of SRCB, the Proposal on Electing Mr. Deng Weili as a Member of Auditing Committee of the Second Board of Directors of SRCB, the Proposal on Electing Mr. Chen Shuai as a Member of Remuneration and Nomination Committee of the Second Board of Directors of SRCB, the Proposal on Appointing Head of Auditing Department and Head of Compliance Department of SRCB, the Proposal on Solution of South Securities Historical Remaining Problems and Refund of Withheld Funds, the Proposal on Hiring Deloitte & Touche CPAs as Our External Auditor and the Proposal on Authorizing the Chairman to Examine and Approve the Equity Transfer Application of Legal Person Shareholders During the Adjournment of the Board of Directors Meeting were reviewed and approved at this meeting. The "Report on Financial Performance for the First Half of 2014 of SRCB", and the "Report on SRCB Implementation of Rectification Measures Based on 2013 CBRC Shanghai Regulatory Opinions" also were debriefed.

6. On December 1, 2014, the Company convened the 22nd Meeting of the SRCB 2nd Board. The Proposal on Amending the Articles of Association of Shanghai Rural Commercial Bank Co., Ltd., the Proposal on Formulating Credit Risk Internal Rating Management System of SRCB, the Proposal on Measures for Liquidity Risk Management of SRCB (Trial), the Proposal on Modification to Authorization Measures of the Senior Management of SRCB, the Proposal on Modification of Administrative Measures for Directors of SRCB, the Proposal on Modification of Administrative Measures for Eligibility of Senior Officers of SRCB, the Proposal on Administrative Measures for Equity of SRCB, the Proposal on the Launch of Assets-backed Securities (ABS) Business and Issue of the First Batch of ABS Products, the Proposal on Writing Off Non-Performing Assets and Disposal and Loss Recognition of Foreclosed Assets in 2014 of SRCB and the Proposal on Support and Donation to Chongming County in 2014 of SRCB were reviewed and approved. The board

heard the 2015 SRCB Board Meeting Scheduling Plan.

7. On December 15, 2014, the Company convened the 2014 3rd Adhoc Meeting of the SRCB 2nd Board. The meeting reviewed and approved the Proposal on Adjusting the Business Positioning and Equity Structure of Financial Lease Company.

8. On December 22, 2014, the Company convened the 2014 4th Adhoc Meeting of the SRCB 2nd Board Meeting. During the meeting, the "Proposal on Approving the SRCB Share Transfer Application of Shanghai Dragon Investment Co., Ltd" was reviewed and approved.

(II) Performance of the Board of Directors

During the reporting period, the Board of Directors considered the situation of the Bank under the complicated market environment, formulated the SRCB 2014-2016 development strategy, led the Senior Management to seek coordinated development, promote structural adjustment and product innovation, place emphasis on customer experience and business quality, and give play to strategic decision-making, capital restraints, risk management, performance incentive, team building, and IT management and completed all objectives and tasks in 2014.



Delivered key strategic tasks

First, we formulated the 2014–2016 development strategy. We established a strategy drafting team and formulated the 2014–2016 development strategy based on analysis of the macro economy, market environment and regulatory policy trend, and review of our successes in recent years and also weaknesses and problems, and bank-wide in-depth discussion and opinion-soliciting. Meanwhile, we have further developed six sub-strategies: marketing, risk control, capital, operation, IT, as well as people management, while 25 branches have also developed their strategies accordingly. SRCB has established Online Banking Strategic Business Unit and Rural Bank Management Strategic Business Unit, and set up a rigorous strategically focus organizational structure. Second, we further strengthened strategy management. We broke down strategic tasks, established priorities, set up milestones of different phases, clarified functions/people responsible for implementation, and strengthened implementation process control. We established a mechanism for regular reporting, dynamic feedback and evaluation of implementation of strategic tasks, traced strategy

implementation process in time, focused on problem-solving, fine-tuned strategies and receive better implementation results. Third, we promoted reform and innovation in a holistic way. Based on the new three-year development strategy, the Company organized the management team to clearly identify key reform projects and push forward implementation of strategy by providing incentives. We led the Bank to push forward branch transformation and sales-driven efforts, deepened construction of community banking platform, set up Online Banking Strategic Business Unit and Rural Bank Management Strategic Business Unit, promoted branch transformation from operation to sales-driven, transformed business operation from independent online and offline operation to synergy between online and offline, continuously improved strategic carrier function of community banking, online banking, and rural banks platforms. Rural Commercial Bank (Shanghai) Collaborative Platform was established for interbank collaboration throughout China. Fourth, business transformation and structural adjustment were sped up. Based on the customer targeting of "primarily SMEs and supplemented by large corporates/micro businesses and personal customers", we improved our lending strategies and continued to support financial demands for "medium, small, micro, agriculture, high-tech and trading companies". We pushed forward the "Mass Retail Banking" strategy centering product innovation for targeting customers, improved service, cross-sales priority, increase of client loyalty, integrated synergy development of community bank outlets, online banking platform and credit cards; "Mass Corporate Banking" strategy, on the other hand, was enforced to explore medium and small enterprises in the industrial parks to proactively offer comprehensive financial services, and develop syndicated loans, cash management and other emerging business. In terms of financial markets business, we put effort into promoting transformation of strategy from assets-holding to assets-trading, with an attempt for new businesses like asset securitization, derivative products and market maker. Business synergy platform was set up for all businesses in the Bank to provide portfolio services to targeted clients. We actively worked on building SRCB into "SME and community service provider", "online banking service provider", "rural bank investor", "financial markets trader", and "IT service provider". Profit orientation awareness was raised and progress of transformation development was significant. Fifth, we steadily promoted comprehensive operation. We led rural banks to adhere to investment return-driven strategy and targeting agriculture and small enterprises, so as to fully integrate into urbanization and modern agriculture development, proactively serve the local clients and supported county economic development with refined operation. We actively involved in online banking business development, took full advantage in resources of the Group, expanded service scope and client access channels, made breakthrough of development and built brand image with our own specialties. We sped up our setting-up of financial lease company, strove for qualification as a fund company, qualification for the third party custody and fund custody, and closely traced the policy change of financial service company setup of rural banks. We were successfully qualified as lead underwriter of Class B bonds. Sixth, we strengthened our strategic cooperation with ANZ bank. We orderly pushed forward technical and business cooperation with ANZ Bank in micro business automatic approval system and implementation of Basel Accords, leveraged each others' advantages and achieved win-win outcomes.

Enhance risk management and risk prevention capability

First, we improved the authorization management system. We revised administration measures for authorization, clearly defined authorization matrix at all levels, eliminated any blind spot, improved our corporate governance and strengthened internal control. Second, we reinforced identification and management of accountability. We paid special attention to continuous rebounding trend of non-performing loans and urged to implement auditing on credit assets quality; We strengthened accountability for non-performing loans, gradually changed the lack of attention to post-loan management (more focused on loan drawdown) and also problems in the penalty system, and increased write-offs to reduce pressure on asset quality. Third, we promoted matrix reporting line and set up BU embedded risk teams. Differentiated management procedure was formulated for matrix reporting/dual reporting & performance review system. Fourth, we continued to enable delicate risk management style. In light of the strategic emphasis, we researched the Bank's overall risk appetite, special risk appetite, risk limits, concentration and other indicators, traced the implementation progress of new Basel Accords project (Credit Risk Internal Rating-based Approach Project/Market Risk Internal Modelling Approach Project) and risk management indicators, and improved liquidity risk management at the Group level. Fifth, we strengthened IT support. We organized and adjusted the organizational structure for IT departments, strengthened proactive service awareness of IT line towards front desk lines, enhanced independent R&D capacity, and promoted long-term development of SRCB into a IT service provider. Sixth, we focused on internal control and enhanced fraud/violation control. We led the Senior Management to balance between business development and compliance/risk control and continue to reinforce internal control system build by having the risk awareness, identifying the fundamental problems, and enabled stronger defense through system. We strengthened employee education and raised awareness of compliance to develop a sound compliance culture; we focused on major cases and sudden lawsuits, and prevented and controlled reputation risk.

Incentive measures were improved to give full play to talents.

First, we improved the performance assessment mechanism. We promoted data governance, implemented internal funds transfer pricing system, developed reasonable income distribution and cost amortization system and the analysis framework for BU profit contribution, promoted profit-orientation and changed from "profit measurement after completing the business" to "profit measurement before taking the business". Based on strategic requirements, we improved performance assessment methods for all levels, linked up bankwide interest, BU interest and branch interest to promote business synergy. Second, we adhered to market-oriented and put more effort into management team construction. We smoothly completed succession of the rotation/retiring of heads/deputy heads of some branches and Head Office departments, fully demonstrating the principle of "enabling promotion/demotion and entry/exit". Selective hiring for Head Office department heads/deputy heads and senior account executives were completed with employment contracts signed. We organized young leader selection and developed the short list based on the short-term plan of promotion, rotation and training to provide talent support for strategy implementation. Third, we optimized staffing structure. We reduced the number

of back office support, increases the number of sales people, and built up professional corporate relationship manager, retail relationship manager, and product manager teams. Fourth, we promoted team building. We organized regular study sessions, and advocated innovative discussion and forums. "HR puts up the stage for business lines to put on the show" is our notion to learn knowledge, embrace new concepts and improve capability.

We regulated our operation and gave full play to special committees.

First, we improved feedback and transmission mechanism for governance information. We regularly traced and supervised the implementation of resolutions made at the Board meeting and opinions provided by directors and supervisors, explored coverage of strategy implementation and corporate governance reporting to ensure directors know in time the implementation of strategic tasks and business operation, and let them share their experiences and wisdom. Second, we improved information disclosure and service to shareholders. We ensured the objectiveness, authenticity, completeness and accuracy of regular reports including corporate social responsibility report of the Group based on the standards for listed companies. We revised policies to align with new regulatory guidelines, and provided equity consulting services to shareholders in time. Third, we fully supported special committees to function decision-making. The special committees, under their respective duties, conducted in-depth survey and research, provided constructive advice and opinions, supervised and evaluated the implementation of resolutions of the Board of Directors, assisted the Board of Directors in performing its duties effectively and making appropriate decisions.

(III) Duty performance of various special committees under the Board of Directors

During the reporting period, various special committees under the company's board of directors held 18 meetings in total and reviewed or listened to 59 proposals.

The Strategy Committee conducted timely research and judgment on economic and market environment facing the Bank, developed the new three-year development strategy by working closely with strategy drafting team. It focused on implementation of the development strategy by the Senior Management, continued to strengthen strategy management capacity for a new round of development of the Bank. The Committee strengthened business cooperation with shareholders, and helped SRCB continuously improve the management with ANZ's established experiences.

The Risk Management Committee thoroughly deliberated all risk management policies and regulations, continuously traced the implementation of risk appetite and movements of risk management indicators, promoted the implementation of the new Basel Accords and continuously enhanced the risk management of the Bank.

Based on the regulatory requirements, the Audit Committee has replaced the external auditor, and tracked, in a timely manner, the external auditing progress and verified the authenticity,

completeness and accuracy of financial statements. The Committee organized and implemented IT and consumer right protection auditing projects, reviewed the internal auditing annual report, appraised the results of internal auditing projects and further promoted the functional transformation of the internal auditing.

The Remuneration and Nomination Committee improved the policy framework for directors and senior management and completed the directors replacement. It reviewed the performance assessment rules of senior executives and ensured stability in the remuneration. It conducted survey, research and analysis on rural banks and branches and put forward policies and recommendations.

The Related Party Transaction Control Committee placed emphasis on the approval of major related party transactions, record of general related party transactions, updated and verified related party name list, regularly evaluated related party transactions, and researched the management mechanism for internal transactions with controlled rural banks to safeguard interests of shareholders.

VIII. Corporate Social Responsibility

We upheld innovative development and transformation, focused on the strategy of convenience banking platform development, advocated people-oriented corporate culture, assumed responsibilities in the fields of economic development, social progress and environmental protections, etc. and put forth great effort to create value for shareholders, customers, employees and society.

During the reporting period, the Company formulated and implemented 2014-2016 Development Strategy Plan, which centers around the strategic vision of "Community-based Convenient Banking". From the aspect of management of social responsibility, we aim to cultivate the corporate social responsibility value, involve stakeholders to maximize SRCB Group's positive impact on the society and environment and add value to the economy, society and environment.

Served real economy and supported local construction

According to customer targeting of "primarily SMEs and supplemented by large corporates/micro businesses and personal customers", the Company improved its lending strategies, reinforced product innovation, continued to support financial demands in "medium, small, micro, agriculture, high-tech, trading companies", attempted to issue assets-backed securities and involve in derivatives trading, and actively developed investment banking business like syndicated loans and cash management. We provided key support to the economic restructuring, industry upgrade, energy conservation and emission reduction, environmental protection and company innovation and put forth every effort to resolve the problems of difficult and expensive financing faced by companies in the real economy.

The Company was devoted to construction of China (Shanghai) Free Trade Zone (pilot) (FTZ) and established the first and only FTZ Branch of rural financial institution in China to provide

financial service to enterprises and individuals within the free trade zone and dock international markets directly. In 2014, we put more effort into researching economic and financial regulations and policies of free trade zone and developed business settlement ledgers system and funds monitoring system for FTZ Branch. Making use of the geographic advantage, the free trade zone branch promoted innovative development and made breakthrough in innovative businesses like cross-border RMB lending and NRA account deposit/pledged loan.

We supported the rural areas (agriculture/farmers) and micro enterprises

As one of the banks having the largest numbers of outlets in Shanghai, we have well maintained our services to the outer suburban areas of the city. By the end of reporting period, among the 400 SRCB outlets in Shanghai, more than 61% of them were located outside the outer ring, providing daily financial services to residents in outer suburban areas. In 2014, the Company gave more preference to the rural areas (agriculture/farmers) in its assets-writing strategy to support the construction of rural towns and development of modern agriculture. We established the Rural Financial Solutions Team and appointed specialists to outer suburban outlets. Our policy is to support in priority all loops of the modern agriculture industry supply chain, support in priority all forms of delivering modern agriculture, support in priority all organizations of modern agriculture, and support in priority the funding needs during urbanization (including urbanization of farmers). We offered no cap only floor for agriculture loans with discount interest rate. We motivated branches for serving the rural areas (agriculture/farmers) by providing bonuses for agriculture-related loans. We developed various specialty products, including village construction project loan (Xing Nong Loan) to satisfy the borrowing needs for demolition, restoration of rural countryside homestead and surrounding non-cultivated area and construction of temporary shelters. To better cover the mass rural community, we launched "rural social insurance payment card" jointly with Shanghai Rural Social Insurance Center, provided agency service for the payment of farming subsidy capital in various districts and counties of Shanghai, and we issued over 50,000 cards to the local farmers in Fengxian District. By the end of the reporting period, agriculture-related loan balance was RMB 60.25 billion, increasing by RMB 3.344 billion compared with the beginning of this year and accounting for 30.17% of the self-funded loans, which made SRCB the bank provided the largest amount of agricultural lending in Shanghai.

We strengthened the equity investments on rural banks and expanded agriculture supporting channels. As the investment initiating bank, we directed rural banks in setting up corporate governance system, supporting agriculture and micro businesses, developing comprehensive service functions, strengthening risk prevention, increasing system support, and other initiatives towards its market targeting of rural areas (farmers/agriculture), micro businesses and the community. By the end of the reporting period, key financials of the 35 rural banks invested by SRCB are: deposit balance totaled RMB 20.554 billion, an increase by RMB 4.263 billion; loan balance totaled RMB 12.731 billion, an increase by RMB 2.714 billion; net profit reached RMB 332 million, an increase by 53.7%. Meanwhile, SRCB together with 24 rural financial institutions established the Rural Commercial Bank

(Shanghai) Collaborative Platform and entered into Framework Agreement of Mutual Liquidity Support, Cooperation Agreement of Credit Approval to explore new model of interbank cooperation and increase support to rural areas (agriculture/farmers).

During the reporting period, the Company continued to increase credit support to micro businesses, penetrated the industrial park markets, built 74 specialized SME service teams, fully docked with "104 Industrial Park Area", and won 1583 new clients with targeted sales. "State-standard" SME loan balance reached RMB 144.663 billion, with an increase of RMB 12.707 billion compared with the year beginning, which met the regulatory requirements on volume growth and proportion (out of total loan) growth. We proactively built our "Xinyi Discounting" brand and our 2014 bills discounting business volume hit RMB 6.4 billion, greatly supporting the demands of micro businesses. The number of technical enterprise clients increased by 174 and the technical enterprise loan balance hit RMB 16.34 billion, with an increase of RMB 2.35 billion, thanks to the ongoing construction of "1+X" technological finance service system and the active promotion of energy performance contracting, order financing, performance loan and other businesses.



小微企业自然人担保 — “鑫捷贷” 特色产品



POS结算贷款 — “鑫POS贷”

Promoted community banking and mobile banking to improve people's livelihood



During the reporting period, SRCB furthered the construction of community banking platform and fostered specialized family financial service portfolio to improve people's livelihood by leveraging three of its platforms: kiosks, micro business service outlets, and wealth management center (WM VIP center). By the end of the reporting period, SRCB had its network expanded to 274 community bank outlets and 40 community (CBD) financial service centers. Through great effort in branch transformation and sales team building, we promoted the migration from operation to sales and online/offline independent to synergy between online and offline, and thereby fully motivated the development potential and improved customer experience. This year, we had 448 new relationship managers and the percentage of sales staff increased by 27%. To speed up product innovation, we launched innovative products like "Xinjia Family Loan", "Xinxiang Personal Consumption Loan", specialized home mortgage loan, family revolving facility, upgraded version of second-hand home purchase one-stop solution; we issued 1.21 million trade union member cards and initiated community one-stop cards and self-service card issuing machines. Meanwhile, we continued to thoroughly implement work requirements of Shanghai government by exploring innovations in services like agency payroll payment, pension payment, housing fund loans, sales of train/flight/movie tickets and public transportation cards, and public utility services, thus supporting the development of social undertakings and facilitating people's livelihood.

Proactively facing challenges, the Company promoted a functional upgrade of Internet banking, online payment and mobile banking platforms during the reporting period. We

set up Online Banking Strategic Business Unit and Rural Bank Management Strategic Business Unit; launched innovative financial E-cloud platform and Tongxinbao product; promoted direct banking and completed electronic account system setup; launched Xinyi Payment, direct banking portal, mobile banking application, XinEBao wealth management and piloted them in SRCB invested rural banks and rural financial institutions; launched corporate internet banking community (Phase I) and accumulated registered clients over 20,000 with activation rate of 90%. By the end of the reporting period, the number of our corporate internet banking and personal internet banking registered clients hit 100,000 and 1 million respectively; corporate mobile banking and personal mobile banking clients reached 22,000 and 600,000, WeChat banking registered users reached 73,000 and fans of WeChat platform reached 120,000. Meanwhile, we launched new services like internet-banking-platform-only wealth management products, ATM mobile cash withdrawal (bank card not required), and call center service in Shanghai dialect.

Cared for employees and fostered corporate culture

The Company advocated for the corporate culture value of "Love work and devote to your career, be honest and trustworthy, be responsible and willing to sacrifice, be innovative and progressive, united and harmonious". During the reporting period, we thoroughly implemented the guideline issued by the the third and fourth plenary meetings of the 18th CPC. According to the new three-year development strategy and in response to the problems like weak innovation, slow market response, we improved our regular study system throughout the Bank, formed our training mechanism of "HR puts up the stage for play by business lines" to promote outlet on-site coaching, provide tailored training and create the learning & development atmosphere.

Oriented by the best practice, the market, and the general staff, the Company adhered to the principles of talent selection and retaining of "enabling promotion/demotion based on performance" to encourage career development of employees. During the reporting period, we organized selection of young excellent leaders and developed the short list based on the short-term plan of promotion, rotation and training, which will develop into a long-term system for people development. We have selected/promoted 40 department heads/deputy heads and senior account executives. Based on the principles of "selectively hiring, professionalism/efficiency driven, job rotation provision, promotion/demotion enabling", we collated and revised the position standards for departments of the head office, carried out the selective hiring of general manager/deputy general managers and section managers of head office departments, general managers/deputy general managers of branch departments, and presidents/vice presidents of tier-2 branches, and improved our management team.

The Company cared for its employees, placed emphasis on staff rights and organized staff entertainment activities. During the reporting period, SRCB convened the 6th Joint Session of the 2nd Labor Union and the Employee Congress, and voted on administrative measures for remuneration, implementation plan of corporate pension, staff violation pointing system and other significant items involving in interests of the employees.

25 branch trade unions organized 33 staff representative visits. We set up a specific mail box to collect reasonable suggestions and encouraged our employees to give suggestions and timely feedback. We collected 52 pieces of suggestions in 2014 and adopted 51% of them. We collected suggestions from staff representatives and in total 313 pieces of suggestions were adopted with an adoption rate of 60%. We improved the employee care system and established the birthday care system for retired employees over 90 years old. We collected RMB 1.1 million in 2014 for assistance to staff in poor health or financial distress (support was especially given during Spring Festival/New Year Holiday). We also established care mechanism of expert outpatient service, express channel for blood transfusion, insurance claim, post-inspection call-backs and cash subsidy, so as to leverage resources of Labor Union to supplement the social security medical insurance support. By building the specialty brand of "employee home", the Bank built 343 employee homes and created harmonic, warm and cohesive "home culture". We held the 5th Employee Sports Game. Also by having the labor competition, skill competition and special training, we helped with the development of employees.



Involved in social welfare and volunteer activities

During the reporting period, the Company set up a new round of (five years: 2013-2017) rural area targeted assistance to Chongming County of Shanghai. SRCB donated a total amount of RMB 10 million to Chongming in 2014 to support the "hematopoiesis aid project", and improve the basic public infrastructure and farmers' living environment. Meanwhile, we offered targeted assistance to Hexing Village of Chongming and Tangwai Village of Fengxian District (both in Shanghai), and assisted families in need in Fengxingshan Community of Yisuhe Town, Xiangtan County (Hunan Province), and employees in need in Xiangtan Farming Supply and Distribution Centre, where SRCB staff have visited and provided support. We made donations to the Red Cross and the Smiling Art Troupe of Jiashan County to support nursing homes and communities. Relief and charitable donations totaled RMB 10.8876 million for the whole year. We actively supported development of entertainment and tourism in Shanghai by sponsoring Shanghai SIPG Football team and Shanghai Symphony Orchestra. We also took part in evaluation and selection of the "Shanghai Top 10 Young Figures – Economic Contribution", Jinshan Beer Festival, and other activities.

The Company continued to put into practice the social responsibility requirements on financial service by actively

Summary of Accounting Data and Financial Indexes

Management Discussion and Analysis

Changes in Share Capital and Shareholders

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Introduction to Annual General Shareholders' Meeting

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Board of Supervisors Report

Important Matters

List of Financial Statements and Documents for Future Reference

carrying out industrial park campaigns, community development support, as well as financial knowledge literacy programs. We carried out "the Culture Caravan" activity, financial forum, community financial auditorium, "publicity of financial knowledge month" and other activities, popularized anti-counterfeit money, anti-fraud, credit check and other financial knowledge, and directed community residents in handling financial services and coordinated financial consumers in the protection of rights and interests. Supported by the Youth Volunteer Association and Youth Volunteer service stations, we carried out "100-Day Action Plan for Lobby Officer Volunteers", Taihu Lake World Culture Forum, "Helping the Others" Day and other volunteer activities. This showed our image as a rural commercial bank offering targeted rural area/education assistance, support to poor and disabled people, and financial knowledge popularization, which is our attempts to reward back to society and building a sound company image.



Focused on green credit business and advocated environment-friendliness

We actively implemented national industrial policies and environmental protection policies and developed green credit business. We have clarified in our assets writing strategy to offer preferential support to the industries and projects that meet the requirements of green credit. We arranged a specific amount of facility in our total credit limit to support green credit, ensuring our vigorous support to which. We controlled lending to enterprises and projects that violate industrial policies and environmental protection laws by implementing stricter loan application review and approval, loan draw-down and post-drawdown management. We set up an environmental protection threshold for corporate customers and lowered the risk weight of credit assets that meet the green credit requirements. By the end of reporting period, the balance of loans for energy conservation and environmental protection projects reached RMB 1.302 billion, increasing by 59.56% on a year-on-year basis.

We vigorously advocated green operation, promoted paperless office and electronic journals, reduced the printing and distribution of paper files. We made full use of video conferencing equipments to effectively reduce conference costs and carbon emission. We called on our employees to contribute to energy conservation and emission reduction by reusing office supplies to a greater extent. By the end of the reporting period, we reduced the number of documents issued by 237, a decrease of 16.39 % on a year-on-year basis. We reduced newsletter documents by 69, a decrease of 11.2% on a year-on-year basis. We convened 209 video conferences, decreased conference expenses by RMB 28.7554 million, or by 68.33% on a year-on-year basis.

We forged a low-carbon bank, expanded green service channels by splitting the stream of counter business through online banking, self-service machines, mobile banking, and WeChat banking, among other channels. By the end of the reporting period, the splitting rate of electronic banking business was 68.6%, including online banking, telephone banking, self-service machines, mobile banking and other electronic banking channels.

In 2014, we ranked No. 189 among the 1000 banks in the world and set foot in the top 200 for the first time. The Company was the only bank honored as "the best rural commercial bank" in China at the ceremony of "2014 Bank Industry Forum and the 2nd Banking Award Ceremony".

(Please refer to 2014 SRCB Corporate Social Responsibilities Report for details.)

H Board of Supervisors Report

Performance of the Board of Supervisors

Board of Supervisors' Independent Opinions on Specific Items



I. Performance of the Board of Supervisors

(I) Meetings of the Board of Supervisors

1. The 17th Meeting of the SRCB 2nd Board of Supervisors was held on April 1, 2014. In this session, the Board of Supervisors reviewed and approved the "Proposal on the 2013 Annual Assessments of Duty Performance for SRCB Directors", the "Proposal on the 2013 Annual Report of Supervision and Assessment for SRCB Business Operation and Financial Performance", the "Proposal on the 2013 Annual Report of Work Supervision and Assessment of SRCB", the "Proposal on the 2013 Annual Work Report of SRCB Board of Supervisors", the "Proposal on the 2013 Annual Auditing Report of SRCB", and the "Proposal on the 2013 Annual Report of SRCB".

2. The 2014 1st Ad-hoc Meeting of the Second Board of Supervisors was held on August 11, 2014. In this session, the Board of Supervisors reviewed and approved the "Proposal on Assessment Report of Optimization of Credit Approval System of SRCB", the "Proposal on the Report of Monitoring for SRCB Business Operation and Financial Performance in the First Half of 2014" and the "Proposal on Administrative Measures of Fraud/Violation Prevention of SRCB".

3. The 2014 2nd Ad-hoc Meeting of the Second Board of Supervisors was held on November 17, 2014. In this session, the Board of Supervisors reviewed and approved the "Proposal on the Assessment Report on the Development of SRCB Community Banking Platform".

4. The 18th meeting of the SRCB 2nd Board of Supervisors was held on December 1, 2014. In this meeting, the Board of Supervisors reviewed and approved the "Proposal on Electing Supervisor Li Min as a Member of the Nomination Committee of the SRCB 2nd Board of Supervisors", the "Proposal on Electing Supervisors Li Min and Zhang Qi as Members of the Auditing Committee of the SRCB 2nd Board of Supervisors" and the "Proposal on Amending the Articles of Association of Shanghai Rural Commercial Bank Co., Ltd.", and heard the "Report on Financial Institution Business Development of SRCB".



(II) Participation in the Meeting of Shareholders

SRCB supervisors attended the Meeting of Shareholders.

(III) Attendance at the meeting of Board of Directors without Voting Rights

During the reporting period, SRCB supervisors attended the 19th, 20th, 21st, and 22nd Meetings of the SRCB 2nd Board of Directors.

(IV) Supervision of performance of the Board of Directors, directors and senior executives by law

1. Carried out special inspections, supervision and assessment; improved the relevance and effectiveness of supervision

(1) Carried out supervision and assessment of SRCB 2013 performance

The Board of Supervisors supervised and assessed SRCB's implementation of regulatory opinions and rectification recommendations from auditing department in regarding to business operation and financial innovation, and its implementation of major decisions made by the Shanghai CPC committee / Shanghai government as well as Shanghai Financial Service Office (FSO), and issued the "2013 Annual Supervision and Assessment Report of SRCB".

(2) Performed supervision and assessment on the 2013 performance of SRCB's Board of Directors, directors and senior executives in the Head Office.

To further improve SRCB corporate governance, standardize the management of Board of Directors and directors, as well as senior executives in the Head Office, and protect legitimate rights and interests of SRCB, depositors and other customers, the Board of Supervisors performed, in accordance with specific requirements of the "Company Law", "Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry", "Commercial Bank Law of the People's Republic of China", and other laws and regulations as well as "Pilot Measures for Evaluating the Performance of Directors of Commercial Banks", and other SRCB regulations, the Supervisory Board assessed the 2013 performance of SRCB's Board of Directors, directors, as well as senior executives in the Head Office, and issued the report of supervision and assessment and submitted it respectively to the Shareholder Meeting, Shanghai Government/Shanghai FSO and regulators.

(3) Carried out the special inspection, supervision and assessment of SRCB 2013 financial performance

To allow the Board of Supervisors to earnestly perform the supervision of daily operation for SRCB, the Board of Supervisors established a dedicated inspection team to perform special on/off-site inspections on SRCB 2013 financial performance and issued the "Report of Supervision and Assessment of SRCB 2013 Financial Performance".

(4) Evaluated the optimization of SRCB credit approval system

In the new three-year strategy, detailed requirements of "deepening risk control culture and promoting a forward-thinking loan approval concept" were made as part of the credit risk management enhancement initiatives. According to the annual work plan (including risk management system reform) delivered at the annual work conference, the Company optimized the credit approval system in terms of policy framework, organizational structure, personnel management, performance assessment / incentives and penalties. To summarize the reform experience in a general way as well as promote continuous optimization, the Board of Supervisors established an assessment team and prepared the Assessment Report on the Optimization of Credit Approval System of SRCB.

(5) Carried out evaluation on the SRCB community banking platform construction

As explicitly required by the new three-year development strategy of the Company, community banking platform construction should be promoted in an overall way, including branch transformation, differentiated market positioning, specialized operation and refined management. The Board of Supervisors formed a working team, in light of the community banking development planning in the new three-year development strategy, marketing strategy and "branch transformation and sales-driven" strategy, and carried out assessments on current progress and milestones of community banking platform construction, and prepared the Assessment Report of Community Banking Platform Construction of SRCB.

(6) Carried out special inspections, supervision and assessment for the SRCB 2014 fraud/violation prevention

To fulfill the responsibilities of supervision and assessment, objectively assess the SRCB fraud/violation prevention in the whole year, the Board of Supervisors established a dedicated inspection team, developed the "SRCB 2014 Fraud/violation Prevention Supervision and Assessment Plan", and issued the "Report of Supervision and Assessment for SRCB 2014 Fraud/violation Prevention" based on which.

Moreover, the Board of Supervisors also reviewed the "2013 Annual Auditing Report of SRCB" and the "2013 Annual Report of SRCB", and participated in a discussion with the Board of Directors about what proper profit-sharing scheme can be prepared.

2. Monitored Business Operation/Financial Performance and improved timeliness of supervision

To earnestly carry out effective supervision for the entire bank's daily operations and management and promote the effective operation of SRCB's standard daily activities, the Board of Supervisors performed dynamic monitoring over the SRCB business operation and financial performance in the first half on 2014 and issued the "Report of Monitoring SRCB Business Operation and Financial Performance in the First half of 2014" according to regulatory requirements and SRCB rules.

3. Tracked the progress of online banking business development

To promote effective implementation of the new three-year strategy of the Company, the Board of Supervisors focused on the progress of all key tasks of the Company. In 2014, to survey the implementation of new strategy and the SBU setup, and the construction of the direct banking platform / online financial service community platform / micro enterprise and personal online financing platform, the Board of Supervisors started to collect online banking business development data of the Company on the third quarter and heard the relevant report of Online Banking Department at the 18th meeting of the SRCB 2nd Board of Supervisors.

4. Focused on long-term fraud/violation prevention mechanism, surveyed the implementation of fraud/violation prevention initiatives, and organized case study sessions.

To effectively push forward the SRCB implementation of fraud/violation prevention and perform the Supervisory Board's duty of supervision/ assessment and support/facilitation of which, the Board of Supervisors selectively performed, according to the annual work plan and track records of inspections over the past years, inspections on the fraud/violation prevention accountability system of various branches and outlets, and provided training sessions during which.

To ensure organized and effective inspection on fraud/violation prevention accountability system, the Board of Supervisors worked out the annual inspection plan early this year; heard branch/outlet reports, and; communicated with and solicited opinions from a wide range of branch/outlet staff through seminars.

Through inspections, seminars and case study sessions, the Board of Supervisors strengthened the fraud/violation prevention knowledge and awareness of the management and staff and motivated their continuous improvement and mutual supervision/reminder so as to avoid risks. It also required the Bank to further strengthen the fulfillment of fraud/violation prevention responsibilities, always stay alert, and improve the policy framework.

II. Board of Supervisors' Independent Opinions on Specific Items

(I) Legal operation of the Bank

Within the reporting period, SRCB was operating according to laws and regulations, developing normatively and steadily; various types of business were carried out fully and orderly; quality of assets was improved regularly; risk management and internal control were strengthened continuously; business performance were improved significantly; decision-making process was reasonable, and; corporate governance was further improved. When directors and other senior executives performed their respective duties, no violation against laws, regulations and rules and harm to the interests of shareholders were found.

(II) Authenticity of the Financial Statement

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

(III) Related party transactions

Within the reporting period, SRCB's related party transactions were fair and reasonable with no harmfulness to the interests of shareholders or SRCB found in the process.

(IV) Internal control system

Within the reporting period, SRCB 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 Meeting of Board of Directors and the Shareholders' Meeting without Voting Rights, and had no objection against the various reports and proposals submitted by the Board of Directors to the Shareholders' Meeting for review.

Within the reporting period, the SRCB Board of Supervisors performed supervision on the implementation of resolutions of the Shareholders' Meeting and reckoned that the SRCB Board of Directors has earnestly implemented resolutions of the Shareholders' Meeting.



Important Matters

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 Ten Shareholders and Their Share Changes within the Reporting Period

No change occurred in top 10 shareholders during the reporting period.

(See the "Shareholding and Shareholding Changes of SRCB's Top Ten Shareholders" for details)

II. Significant Litigation or Arbitration

(I) Non-credit litigation or arbitration

Within the reporting period, SRCB had 11 non-credit cases in total (including the cases in which SRCB was the defendant or respondent) with an amount of about RMB 5.36 million involved. Compared with 2013, the number of cases increased by 1 and the total subject amount increased by RMB 3.09 million. It was mainly due to an equity right dispute case in 2014.

(II) Credit litigation or arbitration

By the end of the reporting period, SRCB had 152 loan litigation cases closed in 2014. The total subject amount was RMB 844.0108 million. Within the reporting period, SRCB has recovered RMB 201.9343 million of above loans through litigation.

By the end of the reporting period, SRCB had 635 loan litigation cases not yet closed in 2014. The total subject amount was RMB 3.4631345 billion. Within the reporting period, SRCB has recovered RMB 166.4212 million of above loans through litigation.

See the table below for the top 10 (subject amount) loan litigation cases not yet closed in 2014.

Unit: RMB 10,000 Yuan

No.	Borrower	Guarantor	First Drawdown Date	Delinquency Date	Subject Amount	Loan Recovered through Litigation	Litigation Date
1	Shanghai Shenyuanxing Investment and Development Co., Ltd.	Pan Yong, Wu Jian'ou	20110418	20120417	14342.62	5.52	20121119
2	Shanghai Far-East High and Medium Pressure Valve Co., Ltd.	--	20120410	20140408	8650.00	0.00	20140626
3	Huisheng (Nantong) Heavy Industry Co., Ltd.	Huisheng (China) Investment Co., Ltd., Zhoushan Huisheng Ocean Engineering Co., Ltd.	20120627	20140626	8200.00	0.00	20141104
4	Shanghai Weichu Industrial Development Co., Ltd.	--	20121220	20130524	7640.00	0.00	20130331
5	5 enterprises, including Shanghai Sanmin Building Materials Development Co., Ltd. (combining with the case concerning steel trade enterprises)	--			6850.00	0.00	20130701
6	Jiangsu Wanglushen Mobile Internet Software Technology Co., Ltd.	Jiangsu Wanglushen Culture Industry Investment Co., Ltd., Zhang Dezhou	20121109	20141110	3700.00	0.00	20141205
7	5 enterprises, including Chuntian Industry (Shanghai) Co., Ltd. (cases concerning the steel trade enterprises managed together)	--			3661.29	0.00	20141103
8	LDK Solar (Suzhou) Co., Ltd.	LDK Solar (Jiangxi) Co., Ltd.	20110804	20120813	3560.40	1326.90	20120815
9	5 enterprises, including the Shanghai Meiyang Industrial Co., Ltd. (cases concerning the steel trade enterprises managed together)	--			3300.00	0.00	20131218
10	Shanghai Jinhuitong Creative design Development Co., Ltd.	--	20080128	20141023	3178.00	0.00	20141218

III. Increase, Decrease, Division and Combination of the Registered Capital

Nil.

IV. Related Party Transactions

By the end of the reporting period (December 31, 2014), the related party transactions of the Company were of two categories - related party assets transfer and related party credit transactions, with a total related party transactions balance of RMB 437 million. In which, balance of related party assets transfer was RMB 32.9718 million of one account while balance of related party credit transactions was RMB 404 million of 23 accounts, where balance of related legal person credit transactions out of the related party loan balance was RMB 380 million of 4 accounts, and balance of related natural person credit transactions was RMB 24 million of 19 accounts. Related party assets transfer refers to the batch transfer of non-performing assets where the transfer price covered the principal and interest of the loan offered by the Bank and also the litigation fee. Related party credit transactions include loan, loan backed by import L/C, import L/C issuance, issuance of performance bond, and all of which were classified as normal by the PBOC five-category assets classification, without overdue loan/interests or advance payment.

The balance of SRCB largest related party transaction with single related party company (Shanghai Guosheng (Group) Co., Ltd.) was RMB 201 million, accounting for 0.52% of SRCB's net capital (RMB 38.556 billion). Hence the regulatory cap of 10% was not exceeded. The balance of SRCB largest related party transaction with single related party group company (Shanghai Guosheng (Group) Co., Ltd.) was RMB 201 million, accounting for 0.52% of SRCB's net capital. Hence the regulatory cap of 15% was not exceeded. The total amount of related party transactions was RMB 437 million, accounting for 1.13% of SRCB's net capital. Hence, the regulatory cap of 50% was not exceeded.

Unit: RMB 10,000 Yuan

Customer name	Loan Balance	PBOC Five-category Assets Classification	Level of Security
Shanghai Guosheng (Group) Co., Ltd.	20099.52	Normal	Unsecured
Shanghai Shanxin Real Estate & Development Co., Ltd.	8775	Normal	Mortgage
Oriental International Group Shanghai Foreign Trade Ltd.	8527.72	Normal	Guarantee
Shanghai Greenland Construction (Group) Co., Ltd.	605	Normal	Guarantee

V. Information of Shareholder Loan

(I) Situation where balance of single shareholder loan exceeds 1% of the net capital or the total balance of a single shareholder account exceeds 5% of the net capital

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

(II) Situation where balance of shareholder loan is above RMB 30 million Yuan at the end of the year

Unit: RMB 10,000 Yuan

Shareholder's name	Loan balance	PBOC Five-Category Assets Classification	Level of Security	Types of Business
Shanghai Fengxian Construction Investment Co., Ltd	62200	Normal	Guarantee	Infrastructure loans
Shanghai Minhang Real Estate Development Co., Ltd	55000	Normal	Mortgage	Lease-based property mortgage loan
Shanghai New Long March (Group) Co., Ltd.	17870	Normal	Mortgage	Medium-term working capital loan, Lease-based property mortgage loan

Shareholder's name	Loan balance	PBOC Five-Category Assets Classification	Level of Security	Types of Business
Shanghai Huixin Investment Consultation Co., Ltd.	16000	Normal	Guarantee	Infrastructure loans
Shanghai Wujiaochang (Group) Co., Ltd.	14319.64	Normal	Mortgage	Export financing based on credit sales, short-term working capital loan, Lease-based property mortgage loan
Shanghai Yingfu Real-estate & Development Co., Ltd.	10500	Concerned	Mortgage	Short-term liquidity loans
Shanghai Shanxin Real Estate & Development Co., Ltd.	8775	Normal	Mortgage	Lease-based property mortgage loan, loans for basic construction
Shanghai Xinjiang Real Industries Co., Ltd.	6235.95	Normal	Mortgage	Lease-based property mortgage loan
Shanghai Malu Assets Management Co., Ltd.	5000	Concerned	Guarantee	Short-term working capital loans
Shanghai Zhengda Industry (Group) Co., Ltd.	2000	Normal	Guarantee	Short-term working capital loans
	3000	Normal	Mortgage	Small business working capital loan backed by property mortgage
	3150	Normal	Mortgage	Short-term working capital loans

(III) Information of non-performing shareholder loans based on PBOC five-category assets classification

By the end of the reporting period, the Company had one non-performing shareholder loan (mortgage loan) with balance of RMB 6.8 million, rated as subordinate by PBOC five-category assets classification.

(IV) Information of non-performing loans of shareholders and their related companies

By the end of the reporting period, the Company had one non-performing shareholder loan (mortgage loan) with balance of RMB 6.8 million, rated as subordinate by PBOC five-category assets classification.

VI. Major Contracts and Their Performance

During the reporting period, no custody, contracting, leasing assets of other companies or other companies' custody, contracting or leasing assets of our Company under significant contracts entered into by the Company was beyond the normal banking business scope. We also had no significant matter of entrusting any party with cash 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 was no other major guarantee matter required to be revealed. SRCB's major contract disputes were loan litigation cases (See the "Report of Major Litigation and Arbitration" for details). Otherwise, SRCB had no major contract disputes.

VII. Employment and Dismissal of Accounting Firms

SRCB hired Deloitte & Touche CPAs to audit SRCB's financial report prepared in accordance with the domestic Accounting Standards for Enterprises. The above proposal on replacing external auditor was reviewed and approved at the 21st meeting of the SRCB 2nd Board of Directors.

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

Nil.

IX. Other Important Information for Public Disclosure

(I) Grant of business licenses

During the reporting period, the Company received the licenses for lead underwriter for type B non-financial enterprise debt financing tool, credit card cash installment, issuance of labor union member IC quasi-credit card, gold forward/swap inquiry, RMB/FX swap transactions on the interbank FX market, FCY cross-border remittance, centralized settlement for interest rate swaps, issuance of interbank certificate of deposit, issuance of wealth management direct financing tools, and launch of wealth management plans.

(II) Changes in Directors and Supervisors

See the "Changes of Directors, Supervisors and Senior Executives within Reporting Period".

(III) Matters for future attention

Nil.

X. Change in Company Name within Reporting Period

Nil.

J

List of Financial Statements and Documents for Future Reference

Financial Statements (See the attachments)

List of Documents for Reference



I. Financial Statements (See the attachments)

(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 head.

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

(III) Original annual work report autographed 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.

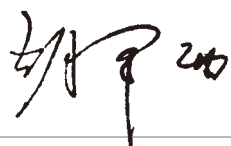
(V) Articles of Association.

Letter of Confirmation by the Directors of the Board and Senior Executives of the Company

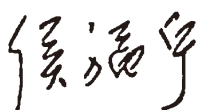
According to regulations and requirements of the "Measures on Information Disclosure of Commercial Banks" (CBRC [2007] No. 7 Directive) and the "Special Regulations on Information Disclosure of Commercial Banks" (CBRC [2008] No. 33 Announcement), we as SRCB directors and senior executives issue the following comments after fully knowing and reviewing the 2014 Annual Work Report of SRCB:

1. SRCB runs in strict accordance with the Accounting Standards for Enterprises and relative regulations. The 2014 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 2014 Annual Work Report of SRCB has no false records, misleading statements or material omissions. It meets the requirements of regulators and reflects the actual conditions of SRCB business operation and management.
3. The 2014 annual financial statements have been audited by the Deloitte & Touche CPAs which issued a standard clean opinion auditing report.

Signatures of Directors:



Hu Pingxi



Hou Funing



Shen Xunfang



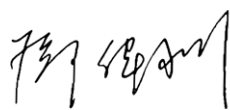
Williams



Bu Leda



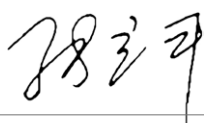
Yu Zhongmin



Deng Weili



Chen Shupai



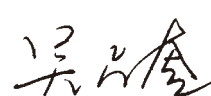
Zhang Liping



Xue jian



Chen Gang



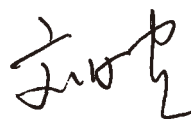
Wu Zhengkui



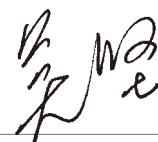
Su Zhong



Yu Yinghui



Liu Hongzhong



Wu jian

Signature of Senior Management:



Shen Xingbao




Ye Guorong



Li Ji



Jin Jianhua



Shi Meiliang



2005-2014
九

便捷心历程 服务新高度
上海农商银行九周年

○ 2005年

上海农商银行改制成立

○ 2006年

引进境外战略投资者

○ 2008年

推出“鑫意理财”和
“鑫卡”

○ 2010年

推出新一代金融便
利店

○ 2012年

百家金融便利店覆
盖全市，在全国批
量设立35家控股村
镇银行

○ 2011年

设立跨区域分支机构，
全年理财产品发行突破
“双百”

○ 2009年

启动三年战略，完善
区域战略布局

○ 2007年

推出一系列有影响力
的服务中小企业的特
色产品

2014年

研定新三年发展战略，
推动网点转型，强化
营销队伍建设



2013年

新一代银行系统顺利
上线，自贸区分行挂
牌成立

3

Persist in differentiated positioning,
Operate with unique features and
refined management,
Pursue harmonious development,
Promote structural adjustment,
Push forward product innovation,
Emphasize customer experience,
Strive for good quality and high
efficiency

Financial Statements and Report of the Auditors

A 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 Reportfor the year ended 31 December 2014

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Auditor's Report

De Shi Bao (Shen) Zi (15) No.P0849

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

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 2014, 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.

1. Management's responsibility for the financial statements

Management of the Bank is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable the preparation of the financial statements are free from material misstatement, whether due to fraud or error.

2. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Opinion

In our opinion, the financial statements of the Bank present fairly, in all material respects, the Bank's and consolidated financial position as of 31 December 2014, 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.

Deloitte Touche Tohmatsu
Certified Public Accountants LLP



Shanghai, China

30 March 2015

Chinese Certified
Public Accountant

曾浩

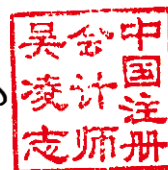
Zeng Hao



Chinese Certified
Public Accountant

吴凌志

Wu Lingzhi



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

CONSOLIDATED AND BANK'S BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2014

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

Assets	Notes	Group		Bank	
		As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Cash and balances with central bank	9.1	77,687,458	74,649,584	74,286,474	71,118,805
Due from banks and other financial institutions	9.2	11,117,217	9,106,025	7,526,332	7,335,012
Placements with banks and other financial institutions	9.3	16,401,840	5,281,189	16,401,840	5,281,189
Precious Metals		50,725	2,881	50,725	2,881
Financial assets at fair value through profit or loss	9.4	2,925,318	757,268	2,925,318	757,268
Derivative financial assets		8,580	1,870	8,580	1,870
Financial assets purchased under resale agreements	9.5	11,315,923	17,029,628	11,315,923	17,029,628
Interest receivables	9.6	1,996,355	1,717,342	1,938,245	1,680,116
Loans and advances to customers	9.7	252,017,627	223,021,018	239,756,865	213,261,360
Available-for-sale financial assets	9.8	51,385,908	30,280,050	51,235,908	30,238,995
Held-to-maturity investments	9.9	40,420,566	44,260,448	40,420,566	44,198,224
Investments classified as loans and receivables	9.10	9,791,832	5,126,444	9,791,832	5,126,444
Long-term equity investments	9.11	354,141	346,579	1,431,941	1,424,379
Property and equipment	9.12	6,687,419	5,920,397	6,545,090	5,768,712
Deferred tax assets	9.13	1,721,160	1,638,910	1,641,731	1,597,373
Other assets	9.14	1,421,112	1,752,676	1,323,571	1,662,344
Total Assets		485,303,181	420,892,309	466,600,941	406,484,600

Liabilities	Notes	Group		Bank	
		As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Borrowings from central bank		2,169,000	1,149,000	500,000	-
Due to banks and other financial institutions	9.16	9,145,963	8,919,798	14,388,989	13,258,896
Placements from banks and other financial institutions	9.17	1,902,868	2,044,646	1,902,868	2,044,646
Derivative financial liabilities		17,674	1,023	17,674	1,023
Financial assets sold under repurchase agreements	9.18	18,569,533	8,485,052	18,569,533	8,485,052
Due to customers	9.19	395,507,551	351,442,404	374,954,025	335,156,989
Employee benefits payables	9.20	1,635,743	1,260,580	1,617,867	1,249,146
Tax payables	9.21	1,032,493	653,468	965,714	605,004
Interest payables	9.22	8,293,829	6,898,983	8,191,721	6,836,908
Debt securities issued	9.23	7,955,158	6,500,000	7,955,158	6,500,000
Other liabilities	9.24	929,858	548,739	839,500	519,897
Total Liabilities		447,159,670	387,903,693	429,903,049	374,657,561
Shareholders' Equity					
Share capital	9.25	5,000,000	5,000,000	5,000,000	5,000,000
Capital reserve	9.26	8,111,058	8,111,058	8,111,058	8,111,058
Other comprehensive income	9.27	493,460	(372,857)	493,460	(372,857)
Surplus reserve	9.28	7,404,874	6,136,030	7,404,874	6,136,030
General reserve	9.29	3,968,461	3,578,033	3,968,461	3,578,033
Retained earnings	9.30	11,904,938	9,415,986	11,720,039	9,374,775
Equity attributable to shareholders of the Bank		36,882,791	31,868,250		
Non-controlling interests		1,260,720	1,120,366		
Total Shareholders' Equity		38,143,511	32,988,616	36,697,892	31,827,039
Total Liabilities and Shareholders' Equity		485,303,181	420,892,309	466,600,941	406,484,600

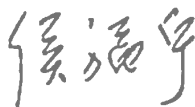
The accompanying notes form part of the financial statements.

The financial statements on pages 3 to 131 were signed by the following:

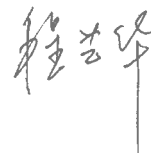
Hu Ping Xi
Chairman



Hou Fu Ning
President



Cheng Yi Hua
Person in charge of
accounting department



CONSOLIDATED AND BANK'S INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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

Item	Notes	Group		Bank	
		Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
I. Operating income		14,151,303	11,188,340	13,222,086	10,540,259
Net interest income	9.31	12,271,867	9,882,660	11,243,166	9,204,163
Interest income	9.31	22,479,406	19,357,875	21,388,586	18,668,462
Interest expense	9.31	(10,207,539)	(9,475,215)	(10,145,420)	(9,464,299)
Net fee and commission income	9.32	1,054,048	800,134	1,143,438	828,163
Fee and commission income	9.32	1,175,711	905,593	1,260,903	931,193
Fee and commission expense	9.32	(121,663)	(105,459)	(117,465)	(103,030)
Investment income	9.33	739,735	463,900	750,069	466,522
of which: share of profit of associates	9.33	7,562	1,257	7,562	1,257
Gains / (losses) from changes in fair value		(991)	(2,988)	(991)	(2,988)
Exchange gains		61,212	24,133	61,212	24,133
Other operating income		25,432	20,501	25,192	20,266
II. Operating expenses		(8,173,342)	(6,072,025)	(7,558,431)	(5,586,911)
Business taxes and levies	9.34	(820,220)	(733,935)	(786,664)	(713,056)
General and administrative expenses	9.35	(5,394,293)	(4,332,701)	(5,026,703)	(4,028,414)
Impairment losses charged	9.36	(1,938,580)	(991,317)	(1,725,431)	(833,670)
Other operating expense		(20,249)	(14,072)	(19,633)	(11,771)
III. Operating profit		5,977,961	5,116,315	5,663,655	4,953,348
Non-operating income	9.37	221,354	182,424	119,840	93,793
Non-operating expenses	9.38	(32,439)	(12,812)	(31,412)	(12,233)
IV. Profit before tax		6,166,876	5,285,927	5,752,083	5,034,908
Income tax	9.39	(1,153,881)	(968,785)	(1,047,547)	(919,249)
V. Net profit		5,012,995	4,317,142	4,704,536	4,115,659
Net profit attributable to shareholders of the Bank		4,848,224	4,215,122		
Net profit attributable to non-controlling interests		164,771	102,020		
VI. Other comprehensive income	9.27	866,317	(438,868)	866,317	(438,868)
Other comprehensive income attributable to shareholders of the Bank		866,317	(438,868)		
1. Other comprehensive income items which will be reclassified subsequently to profit or loss					
Changes in fair value of available-for-sale financial assets		866,317	(438,868)	866,317	(438,868)
Other comprehensive income attributable to non-controlling interests		-	-		
VII. Total comprehensive income		5,879,312	3,878,274	5,570,853	3,676,791
Total comprehensive income attributable to shareholders of the Bank		5,714,541	3,776,254		
Total comprehensive income attributable to non-controlling interests		164,771	102,020		

The accompanying notes form part of the financial statements.

CONSOLIDATED AND BANK'S STATEMENT OF CASH FLOWS FOR THE YEAR ENED 31 DECEMBER 2014

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

Item	Notes	Group		Bank	
		Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
I. Cash flows from operating activities:					
Net increase in customer deposits and due to other banks		44,291,312	56,425,624	40,927,129	49,215,697
Net decrease in balances with central bank and due from banks and other financial institutions				-	1,511,420
Net decrease in financial assets purchased under resale agreements		5,713,705	1,633,829	5,713,705	1,721,642
Net increase in financial assets sold under repurchase agreements		10,084,481	2,015,052	10,084,481	2,015,052
Net increase in borrowings from central bank		1,020,000	984,000	500,000	-
Interest received		19,148,163	16,955,175	18,079,081	16,307,809
Fee and commission received		1,175,711	905,593	1,260,903	931,193
Cash received relating to other operating activities		1,213,118	168,365	1,044,372	44,485
Sub-total of cash inflows		82,646,490	79,087,638	77,609,671	71,747,298
Net increase in Loans and advances to customers		(30,801,473)	(33,768,082)	(28,087,505)	(27,689,096)
Net increase in balances with central bank and due from banks and other financial institutions		(9,806,909)	(121,447)	(9,512,197)	-
Net increase in placements with banks and other financial institutions		(11,120,651)	(4,029,768)	(11,120,652)	(4,029,768)
Net decrease in placements from banks and other financial institutions		(141,778)	(4,319,741)	(141,778)	(4,319,741)
Interest paid		(8,508,376)	(8,108,905)	(8,486,291)	(8,144,137)
Fee and commission paid		(121,663)	(105,459)	(117,465)	(103,030)
Cash payments to and on behalf of employees		(3,014,118)	(2,693,525)	(2,852,225)	(2,575,905)
Payments of various types of taxes		(1,966,845)	(1,982,495)	(1,807,199)	(1,941,858)
Cash paid relating to other operating activities		(1,406,393)	(1,222,841)	(1,248,015)	(1,031,510)
Sub-total of cash outflows		(66,888,206)	(56,352,263)	(63,373,327)	(49,835,045)
Net cash flows from operating activities	9.40(1)	15,758,284	22,735,375	14,236,344	21,912,253
II. Cash flows from investing activities:					
Cash received from disposal of investments		51,508,863	37,127,558	51,405,584	36,628,575
Cash received from returns on investments		3,682,917	2,518,484	3,692,680	2,500,439
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		76,607	47,473	73,886	47,189
Sub-total of cash inflows		55,268,387	39,693,515	55,172,150	39,176,203
Cash paid to acquire investments		(74,483,707)	(52,209,993)	(74,324,484)	(52,127,925)
Net cash paid to acquire of subsidiaries				-	(134,301)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,727,231)	(1,010,109)	(1,688,059)	(928,303)
Sub-total of cash outflows		(76,210,938)	(53,220,102)	(76,012,543)	(53,190,529)
Net cash flows from investing activities		(20,942,551)	(13,526,587)	(20,840,393)	(14,014,326)

Item	Notes	Group		Bank	
		Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
III. Cash flows from financing activities:					
Proceeds from debt securities issued		2,950,341	-	2,950,341	-
Cash received from capital contributions		-	165,700		
of which: capital contribution by non-controlling interests		-	165,700		
Sub-total of cash inflows		2,950,341	165,700	2,950,341	-
Repayment of debts securities issued		(1,500,000)	-	(1,500,000)	-
Cash payments for distribution of dividends		(1,023,917)	(954,904)	(999,500)	(949,478)
Sub-total of cash outflows		(2,523,917)	(954,904)	(2,499,500)	(949,478)
Net cash from financing activities		426,424	(789,204)	450,841	(949,478)
IV. Net (decrease)/increase in cash and cash equivalents		(4,757,843)	8,419,584	(6,153,208)	6,948,449
Add: cash and cash equivalents at the beginning of the year		21,286,541	12,866,957	18,689,306	11,740,857
V. Cash and cash equivalents at the end of the year	9.40(2)	16,528,698	21,286,541	12,536,098	18,689,306

The accompanying notes form part of the financial statements.

BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

2014								
Capital and reserves attributable to shareholders of the Bank								
Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total shareholders' equity
I. Opening balance of the year	5,000,000	8,111,058	(372,857)	6,136,030	3,578,033	9,415,986		
II. Changes for the year								
1. Total Comprehensive income	-	-	866,317	-	-	4,848,224	164,771	5,879,312
2. Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-
III. Profit distribution	-	-	-	1,268,844	390,428	(2,359,272)	(24,417)	(724,417)
1. Transfer to surplus reserve	-	-	-	1,268,844	-	(1,268,844)	-	-
2. Transfer to general reserve	-	-	-	-	390,428	(390,428)	-	-
3. Distributions to Shareholders	-	-	-	-	-	(700,000)	(24,417)	(724,417)
IV. Closing balance of the year	5,000,000	8,111,058	493,460	7,404,874	3,968,461	11,904,938	1,260,720	38,143,511

2013								
Capital and reserves attributable to shareholders of the Bank								
Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total shareholders' equity
I. Opening balance of the year	5,000,000	8,111,058	66,011	5,099,347	2,625,540	7,840,040	858,072	29,600,068
II. Changes for the year								
1. Total Comprehensive income	-	-	(438,868)	-	-	4,215,122	102,020	3,878,274
2. Shareholders' contributions and reduction in capital	-	-	-	-	-	-	165,700	165,700
III. Profit distribution	-	-	-	1,036,683	952,493	(2,639,176)	(5,426)	(655,426)
1. Transfer to surplus reserve	-	-	-	1,036,683	-	(1,036,683)	-	-
2. Transfer to general reserve	-	-	-	-	952,493	(952,493)	-	-
3. Distributions to Shareholders	-	-	-	-	-	(650,000)	(5,426)	(655,426)
IV. Closing balance of the year	5,000,000	8,111,058	(372,857)	6,136,030	3,578,033	9,415,986	1,120,366	32,988,616

The accompanying notes form part of the financial statements.

BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

2014							
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	(372,857)	6,136,030	3,578,033	9,374,775	31,827,039
II. Changes for the year							
1. Total Comprehensive income	-	-	866,317	-	-	4,704,536	5,570,853
III. Profit distributions	-	-	-	1,268,844	390,428	(2,359,272)	(700,000)
1. Transfer to surplus reserve	-	-	-	1,268,844	-	(1,268,844)	-
2. Transfer to general reserve	-	-	-	-	390,428	(390,428)	-
3. Distributions to Shareholders	-	-	-	-	-	(700,000)	(700,000)
IV. Closing balance of the year	5,000,000	8,111,058	493,460	7,404,874	3,968,461	11,720,039	36,697,892

2013							
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	66,011	5,099,347	2,625,540	7,898,292	28,800,248
II. Changes for the year							
1. Total Comprehensive income	-	-	(438,868)	-	-	4,115,659	3,676,791
III. Profit distributions	-	-	-	1,036,683	952,493	(2,639,176)	(650,000)
1. Transfer to surplus reserve	-	-	-	1,036,683	-	(1,036,683)	-
2. Transfer to general reserve	-	-	-	-	952,493	(952,493)	-
3. Distributions to Shareholders	-	-	-	-	-	(650,000)	(650,000)
IV. Closing balance of the year	5,000,000	8,111,058	(372,857)	6,136,030	3,578,033	9,374,775	31,827,039

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

I. BASIC INFORMATION ABOUT THE COMPANY

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

The Bank obtained its finance approval license No. G10312900H0001 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. 8 of Yincheng Zhong Road, Pudong New District, Shanghai.

As at 31 December 2014, the Bank's registered capital is RMB5 billion. The shareholders who hold more than 5% equity shares of the Bank are ANZ Banking (Group) Co., Ltd., Shanghai International (Group) Co., Ltd., Shanghai State-owned Assets management Co., Ltd., China Pacific Life Insurance Co., Ltd., Shenzhen Lenovo Science and Technology Park Co., Ltd., which own 20%, 8.01%, 8.01%, 7% and 5.73% of the ordinary shares of the Bank respectively.

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MOF") on 15 February 2006 and afterwards.

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 2014, 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 amount 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. If it is no longer appropriate to classify an investment as held-to-maturity, the investment shall be reclassified as available-for-sale financial asset by the Group and subsequently measured at fair value and the Group will not reclassify the investment as held-to-maturity for the current and two reporting periods afterwards.

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

7.3 Impairment of financial assets

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

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

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial re-organisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.

Impairment of financial assets measured at amortised cost

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

7.6 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 amount 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.

7.7 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.

7.8 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.

7.9 Equity instruments

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

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

8. Precious Metals

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

9. Long-term equity investments

9.1 Basis for determining joint control and significant influence over investee

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

9.2 Determination of investment cost

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

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

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

Long-term equity investment accounted for using the cost method

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

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

Long-term equity investment accounted for using the equity method

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

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

Under the equity method, the long-term equity investment shall recognise its share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly. The carrying amount 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 amount of the long-term equity investment shall be adjusted accordingly. The investor shall recognise its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those used by the investor, the investor shall, using its own accounting policies and accounting period, adjust the relevant items of the financial statements of the investee, and recognise investment income or losses, other comprehensive income, and other related items, based on the adjusted financial statements of the investee. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

9.3 Subsequent measurement and the recognition of profit or loss

The Group discontinues recognising its share of net losses of the investee after the carrying amount 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 recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

9.4. Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount 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 amount 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 amount at the date of the loss of joint control or significant influence shall be charged to profit or loss for the current period. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognised shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method. Changes in Shareholders' equity recognised under the equity method other than net profit or loss, other comprehensive income, and profit distribution shall be recognised in profit or loss upon discontinuation of the equity method.

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

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

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

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

10. Fixed assets

10.1 Recognition criteria for fixed assets

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

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 amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

10.2 Depreciation of each category of fixed assets

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

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

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

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

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

10.4 Other explanations

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

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

11. Construction in progress

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

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

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

12. Intangible assets

12.1 Recognition criteria for intangible assets

Intangible assets include land use right and software, etc.

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

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

12.2 Research and development expenditure

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

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

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

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

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

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

If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its

carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

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

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

13. 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.

14. Assets transferred under repurchase agreements

14.1 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.

14.2 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.

15. 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.

16. Employee Benefits

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

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

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

The Group which provides termination benefits to employees shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and (2) when the Group recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

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

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

In addition to social security plans, the Bank further pays pension subsidies on a monthly basis to employees who had retired from the Bank as of 31 December 2015 or will reach normal retirement ages before the end of 2015. The Bank adopts the projected unit credit method and attribute benefits to periods of service in which the defined benefit plan arise, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

17. 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.

18. Fee and commission income

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

19. 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, if there is related deferred income, the repayment is offset against the carrying amount 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.

20. Current and deferred income tax

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

20.1 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.

20.2 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 amount 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 amount of goodwill.

At the balance sheet date, the carrying amount 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.

20.3 Offsetting tax assets and liabilities

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.

21. Entrusted and agency services

21.1 Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

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

21.2 Fiduciary activities

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

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

22. 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.

22.1 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.

22.2 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.

23. Foreclosed assets

Foreclosed assets are recognised as their fair value on initial recognition. At the balance sheet date, foreclosed assets are measured at lower of net book value 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 net book value, a foreclosed asset shall be recognised in impairment loss.

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

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

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

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

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

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

Fair value of financial instruments

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

The classification of held-to-maturity investments

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

Impairment losses on loans and advances to customers

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

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

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

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

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.

Consolidation of structured entities

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the structured entities by exercising its power.

VI. CHANGES IN ACCOUNTING POLICIES

Since 1 July 2014, the Group has adopted new standards issued by MOF in 2014 including Accounting Standard for Business Enterprises No. 39 – Fair Value Measurement ("ASBE39"), Accounting Standard for Business Enterprises No. 40 – Joint Arrangements ("ASBE40"), Accounting Standard for Business Enterprises No. 41 Disclosure of Interests in Other Entities ("ASBE41"), as well as, applying amended standards on Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments ("ASBE2"), Accounting Standard for Business Enterprises No. 9 – Employee Benefits ("ASBE9"), Accounting Standard for Business Enterprises No. 30 Presentation of Financial Statements ("ASBE30") and Accounting Standard for Business Enterprises No. 33 Consolidated Financial Statements ("ASBE33"). In addition, the Group has applied the amended standard on Accounting Standard for Business Enterprises No. 37 – Presentation of the Financial Instruments ("ASBE37").

Long-term equity investment

Prior to the adoption of the amendments to ASBE2, the Group classified an investment as the long-term equity investment using cost method in its subsequent measurement that has no joint control of or significant influence over nor a quoted price in an active market whose fair value cannot be reliably measured.

With the adoption of the amendments to ASBE2, the Group has reclassified such investment as an available-for-sale financial assets. The application has been applied retrospectively and the items in the financial statements affected by the application of the amendments to the standard are as follows:

Consolidated financial statements

in thousands of RMB

Item	As at 31 December 2013			As at 31 December 2012		
	Before restatement	Impact of restatement	Restatement	Before restatement	Impact of restatement	Restatement
Available-for-sale financial assets	30,268,212	11,838	30,280,050	26,242,993	18,258	26,261,251
Long-term equity investments	358,417	(11,838)	346,579	357,160	(18,258)	338,902

The Bank's financial statements

in thousands of RMB

Item	As at 31 December 2013			As at 31 December 2012		
	Before restatement	Impact of restatement	Restatement	Before restatement	Impact of restatement	Restatement
Available-for-sale financial assets	30,227,157	11,838	30,238,995	25,785,061	18,258	25,803,319
Long-term equity investments	1,436,217	(11,838)	1,424,379	1,300,660	(18,258)	1,282,402

Employee benefits

Prior to the adoption of the amendments to ASBE9, the Group recognised the actuarial gains and losses of the defined benefit plan in profit or loss in the current period.

With the adoption of the amendments to ASBE9, the Group recognised the actuarial gains and losses of the defined benefit plan in other comprehensive income. The application has been applied retrospectively and the items in the financial statements affected by the application of the amendments to the standard. The Group's management anticipate that the application of this standard will have no material effect on the financial statements.

Joint arrangements

ASBE40 clarified a joint arrangement is classified as either a joint operation or a joint venture. A joint operator or joint venturer shall determine the type of joint arrangement in which it is involved based on its rights and obligations to the arrangement. A joint operator or joint venturer assesses its rights and obligations by considering factors, such as the structure, legal form, and the contract terms of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint venture have rights to the net assets of the arrangement. The Group's management anticipate that the application of this standard will have no material effect on the financial statements.

Consolidated financial statements

The amendments to ASBE33 revised the definition of control, which 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 and clarified accounting measurement for special transactions. The Group's management anticipate that the application of this standard will have no material effect on the financial statements.

Presentation of financial instruments

The amendment to ASBE37 clarified the requirements on the netting arrangements and related disclosures, disclosure requirements on transfers of financial assets, and amended the disclosure requirements on maturity analysis of financial assets and financial liabilities. The Group has adopted this standard and restated the comparatives in the notes to the financial statements accordingly.

Presentation of financial statements

The amendment to ASBE30 classified other comprehensive income into two categories: (1) other comprehensive income items which will not be reclassified subsequently to profit or loss; and (2) other comprehensive income items which will be reclassified subsequently to profit or loss when specific conditions are met as well as the requirements on presentation of the items included in disposal groups classified as held for sale. The Group has adopted this standard and restated the comparatives in the notes to the financial statements accordingly.

Fair value measurement

ASBE39 clarified the fair value measurement and related disclosure requirements. The Group's management anticipate that the application of this standard will have no material effect on the financial statements. The Group has adopted this standard and presented disclosures accordingly.

Disclosure of interests in other entities

ASBE41 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosure requirements in ASBE41 are more extensive. The Group has adopted this standard and restated the comparatives in the notes to the financial statements accordingly.

VII. TAXATION

1. Major categories of taxes and tax rates

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

Note 1: In accordance with Cai Shui [2010] No. 4, the "Notice on the taxation policy related to rural credit cooperatives" issued by the Ministry of Finance and the State Administration of Taxation on 13 May, 2010, the Bank's business tax is 5%. Meanwhile, the applicable business tax rate for the subsidiary is 3%-5%.

Note 2: In accordance with Cai Shui [2011] No.58, the "Notice on the taxation policy related to further implementation of the western development strategy", several subsidiaries' applicable income tax rate is 15%.

VIII. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

1.1 Subsidiaries established

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

As at 31 December 2014 the aforementioned subsidiaries of the Bank are acquired by establishment which are included in the scope of the consolidated financial statements.

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 authorized 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 authorizes the Bank to use its 10% of the voting rights from 27 December 2012 (Business License Issuance Date) to 31 December 2022. The Bank still represents actual control of this subsidiary, thus including it in the scope of the consolidated financial statements.

IX. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Cash on hand	2,512,730	2,042,919	2,418,710	1,960,163
Restricted reserve deposits with central bank	68,331,977	61,022,380	65,816,708	59,076,021
Balances with the central Bank other than restricted reserve deposits	6,824,798	11,486,863	6,033,103	9,985,199
Others	17,953	97,422	17,953	97,422
Total	77,687,458	74,649,584	74,286,474	71,118,805

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 2014, the Bank's reserve ratio for customer deposits denominated in RMB is 18% (31 December 2013: 18%); the subsidiaries' reserve ratio for customer deposits denominated in RMB is 13% or 14% (31 December 2013: 14%). The Bank's and subsidiaries' reserve ratio for deposits denominated in foreign currencies is 5% (31 December 2013: 5 %). Deposit reserves for foreign currency business is non-interest bearing.

Other deposits with Central Bank represent surplus statutory deposit reserves mainly for settlement purpose.

Other deposits with central banks primarily represent fixed deposits and fiscal deposits placed with the PBOC that are not available for use in the Group's daily operations, of which fiscal deposits are non-interest bearing.

2. Due from banks and other financial institutions

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Deposits with domestic financial institutions	10,823,279	8,761,503	7,232,394	6,990,490
Deposits with overseas financial institutions	293,938	344,522	293,938	344,522
Total	11,117,217	9,106,025	7,526,332	7,335,012

3. Placements with financial institutions

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Placements with domestic banks	1,161,840	3,181,189
Placements with other financial institutions	15,240,000	2,100,000
Total	16,401,840	5,281,189

4. Financial assets at fair value through profit or loss

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Government bonds	373,845	-
Financial institution bonds	996,578	-
Corporate bonds	768,180	757,268
Interbank negotiable certificates of deposit	786,715	-
Total	2,925,318	757,268

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

5. Financial assets purchased under resale agreements

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Bills	4,582,689	8,578,278
Securities	6,733,234	8,451,350
Total	11,315,923	17,029,628

6. Interest receivables

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Financial assets at fair value through profit or loss	36,303	20,838	36,303	20,838
Held-to-maturity investments	684,014	705,465	684,014	705,415
Loans and advances to customers	507,894	444,277	467,946	412,969
Available-for-sale financial assets	569,277	351,534	568,748	351,012
Investments classified as loans and receivables	38,077	32,352	38,077	32,352
Others	160,790	162,876	143,157	157,530
Total	1,996,355	1,717,342	1,938,245	1,680,116

7. Loans and advances to customers

(1) Analysis by types

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Individual loans and advances to customers				
- Personal mortgage loans	24,530,571	17,410,239	23,333,229	17,360,248
- Personal consumption loans	4,098,863	2,528,412	3,288,720	2,383,302
- Farmer loans	1,797,667	3,247,797	285,308	313,825
- Others	2,263,765	1,463,115	695,576	440,348
Subtotal	32,690,866	24,649,563	27,602,833	20,497,723
Corporate loans and advances to customers				
- Loans	171,000,300	157,983,712	163,359,297	152,118,784
- Discounted bills	55,360,507	46,335,819	55,358,807	46,335,819
Subtotal	226,360,807	204,319,531	218,718,104	198,454,603
Total	259,051,673	228,969,094	246,320,937	218,952,326
Less: Allowance for impairment losses	(7,034,046)	(5,948,076)	(6,564,072)	(5,690,966)
Including: Individually assessed	(1,304,730)	(1,151,535)	(1,290,127)	(1,151,535)
Collectively assessed	(5,729,316)	(4,796,541)	(5,273,945)	(4,539,431)
Carrying amount	252,017,627	223,021,018	239,756,865	213,261,360

(2) Analysis by industry sectors

Industry sector	Group				Bank			
	As at 31 December 2014	Proportion (%)	As at 31 December 2013	Proportion (%)	As at 31 December 2014	Proportion (%)	As at 31 December 2013	Proportion (%)
Manufacturing	42,803,414	16.53	39,146,402	17.10	40,166,518	16.31	37,178,920	16.98
Real estate	40,587,393	15.67	36,669,229	16.02	40,587,393	16.49	36,617,429	16.72
Rental and commercial services	37,098,695	14.32	32,996,047	14.41	36,969,295	15.01	32,868,557	15.01
Wholesale and retail	17,063,836	6.59	16,748,185	7.31	15,218,267	6.18	15,708,316	7.17
Construction	10,678,316	4.12	9,329,387	4.07	10,197,106	4.14	8,858,708	4.05
Water environmental and public utilities	5,413,839	2.09	5,905,655	2.58	5,330,159	2.16	5,807,055	2.65
Transportation, storage and postal service	5,062,648	1.95	5,105,800	2.23	4,962,698	2.01	4,995,046	2.28
Farming, forest, herd and fishery	4,224,580	1.63	4,434,115	1.94	2,892,638	1.17	2,791,035	1.27
Hotel and restaurant	1,373,943	0.53	2,456,387	1.07	1,315,885	0.53	2,371,200	1.08
Residential and other services	2,045,226	0.79	2,140,349	0.93	1,768,576	0.72	2,069,169	0.95
Others	4,648,410	1.79	3,052,156	1.33	3,950,762	1.60	2,853,349	1.31
Sub-total	171,000,300	66.01	157,983,712	68.99	163,359,297	66.32	152,118,784	69.47
Individual loans	32,690,866	12.62	24,649,563	10.77	27,602,833	11.21	20,497,723	9.36
Bills accepted by other banks	46,562,465	17.97	39,293,073	17.16	46,562,465	18.90	39,293,073	17.95
Bills accepted by corporate	8,798,042	3.40	7,042,746	3.08	8,796,342	3.57	7,042,746	3.22
Discount bills	55,360,507	21.37	46,335,819	20.24	55,358,807	22.47	46,335,819	21.17
Total	259,051,673	100.00	228,969,094	100.00	246,320,937	100.00	218,952,326	100.00
Less: Allowance for impairment losses	(7,034,046)		(5,948,076)		(6,564,072)		(5,690,966)	
Including: individually assessed	(1,304,730)		(1,151,535)		(1,290,127)		(1,151,535)	
collectively assessed	(5,729,316)		(4,796,541)		(5,273,945)		(4,539,431)	
Carrying amount	252,017,627		223,021,018		239,756,865		213,261,360	

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

(3) Analysis by types of borrower

Item	Group			
	As at 31 December 2014	Proportion (%)	As at 31 December 2013	Proportion (%)
Joint-stock enterprises	85,821,259	33.13	76,825,369	33.56
Private enterprises	30,806,953	11.89	29,165,340	12.74
State-owned enterprises	29,212,040	11.28	28,994,974	12.66
Collectively owned enterprises	13,949,663	5.38	12,327,856	5.38
Foreign invested enterprises	5,227,115	2.02	5,210,232	2.28
Others	5,983,270	2.31	5,459,941	2.37
Sub-total	171,000,300	66.01	157,983,712	68.99
Individual loans	32,690,866	12.62	24,649,563	10.77
Discount bills	55,360,507	21.37	46,335,819	20.24
Total	259,051,673	100.00	228,969,094	100.00
Less: Allowance for impairment losses	(7,034,046)		(5,948,076)	
Including: individually assessed	(1,304,730)		(1,151,535)	
collectively assessed	(5,729,316)		(4,796,541)	
Carrying amount	252,017,627		223,021,018	

Item	Bank			
	As at 31 December 2014	Proportion (%)	As at 31 December 2013	Proportion (%)
Joint-stock enterprises	85,695,283	34.79	76,278,262	34.84
Private enterprises	23,708,782	9.63	24,110,759	11.01
State-owned enterprises	29,187,040	11.85	28,901,974	13.20
Collectively owned enterprises	13,944,199	5.66	12,319,356	5.63
Foreign invested enterprises	5,227,115	2.12	5,210,232	2.38
Others	5,596,878	2.27	5,298,201	2.41
Sub-total	163,359,297	66.32	152,118,784	69.47
Individual loans	27,602,833	11.21	20,497,723	9.36
Discount bills	55,358,807	22.47	46,335,819	21.17
Total	246,320,937	100.00	218,952,326	100.00
Less: Allowance for impairment losses	(6,564,072)		(5,690,966)	
Including: individually assessed	(1,290,127)		(1,151,535)	
collectively assessed	(5,273,945)		(4,539,431)	
Carrying amount	239,756,865		213,261,360	

(4) Analysis by collateral patterns

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Unsecured	13,842,089	15,191,712	13,757,052	15,071,089
Guaranteed	46,519,129	43,060,164	40,361,840	37,930,495
Collateral				
Including: Mortgage	137,435,394	119,452,079	131,639,980	115,497,449
Pledge	61,255,061	51,265,139	60,562,065	50,453,293
Total	259,051,673	228,969,094	246,320,937	218,952,326
Less: Allowance for impairment losses	(7,034,046)	(5,948,076)	(6,564,072)	(5,690,966)
Including: individually assessed	(1,304,730)	(1,151,535)	(1,290,127)	(1,151,535)
collectively assessed	(5,729,316)	(4,796,541)	(5,273,945)	(4,539,431)
Carrying amount	252,017,627	223,021,018	239,756,865	213,261,360

(5) Overdue loans are presented as follows

Group					
As at 31 December 2014					
Item	Past due up to 90 days	Past due 90 days - 1 year	Past due 1-3 years	Past due over 3 years	Total
Unsecured	26,808	32,778	39,010	171	98,767
Guaranteed	237,246	425,156	225,102	24,038	911,542
Collateral					
Including: Mortgage	654,489	713,402	1,517,320	106,700	2,991,911
Pledge	10,481	44,059	-	-	54,540
Total	929,024	1,215,395	1,781,432	130,909	4,056,760

Group					
As at 31 December 2013					
Item	Past due up to 90 days	Past due 90 days - 1 year	Past due 1-3 years	Past due over 3 years	Total
Unsecured	35,261	48,950	1,193	-	85,404
Guaranteed	198,592	718,290	139,633	40,088	1,096,603
Collateral					
Including: Mortgage	571,602	1,514,817	583,630	206,637	2,876,686
Pledge	-	4,598	32,414	-	37,012
Total	805,455	2,286,655	756,870	246,725	4,095,705

Bank					
As at 31 December 2014					
Item	Past due up to 90 days	Past due 90 days - 1 year	Past due 1-3 years	Past due over 3 years	Total
Unsecured	23,808	30,237	39,010	171	93,226
Guaranteed	191,640	399,579	223,467	24,038	838,724
Collateral					
Including: Mortgage	643,327	688,721	1,501,235	106,700	2,939,983
Pledge	5,023	44,059	-	-	49,082
Total	863,798	1,162,596	1,763,712	130,909	3,921,015

Bank					
As at 31 December 2013					
Item	Past due up to 90 days	Past due 90 days - 1 year	Past due 1-3 years	Past due over 3 years	Total
Unsecured	35,261	48,950	1,193	-	85,404
Guaranteed	184,464	718,290	139,633	40,088	1,082,475
Collateral					
Including: Mortgage	570,810	1,505,818	580,230	206,637	2,863,495
Pledge	-	4,598	32,414	-	37,012
Total	790,535	2,277,656	753,470	246,725	4,068,386

(6) Allowance for impairment losses

Item	Group			Bank		
	2014			2014		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
As at 1 January	(1,151,535)	(4,796,541)	(5,948,076)	(1,151,535)	(4,539,431)	(5,690,966)
Charge for the year	(970,176)	(932,100)	(1,902,276)	(955,288)	(733,839)	(1,689,127)
Transfer from liability as a result of collection of non-performing assets transferred out ^(Note 1)	-	(675)	(675)	-	(675)	(675)
Recovery of loans previously written off	(23,384)	-	(23,384)	(23,384)	-	(23,384)
Write off	742,953	-	742,953	742,953	-	742,953
Unwinding of discount	97,412	-	97,412	97,127	-	97,127
As at 31 December	(1,304,730)	(5,729,316)	(7,034,046)	(1,290,127)	(5,273,945)	(6,564,072)

Item	Group			Bank		
	2013			2013		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
As at 1 January	(908,505)	(4,614,294)	(5,522,799)	(908,505)	(4,514,829)	(5,423,334)
Charge for the year	(539,053)	(174,616)	(713,669)	(539,051)	(16,971)	(556,022)
Transfer from liability as a result of collection of non-performing assets transferred out ^(Note1)	-	(7,631)	(7,631)	-	(7,631)	(7,631)
Recovery of loans previously written off	(3,762)	-	(3,762)	(3,762)	-	(3,762)
Write off	235,760	-	235,760	235,760	-	235,760
Unwinding of discount	64,025	-	64,025	64,023	-	64,023
As at 31 December	(1,151,535)	(4,796,541)	(5,948,076)	(1,151,535)	(4,539,431)	(5,690,966)

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

In accordance with the Yin Jian Ban Tong [2003] No. 83, the repayment proceeds received by the Bank was reclassified as allowance for loan impairment. The Bank recorded RMB675 thousand and RMB7,631 thousand in 2014 and 2013 respectively in allowance for loan impairment.

8. Available-for-sale financial assets

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Bonds				
Government bonds	7,570,417	9,054,732	7,570,417	9,054,733
Financial institution bonds	10,556,811	4,457,698	10,556,811	4,457,698
Corporate bonds	11,593,861	5,197,757	11,443,861	5,156,701
Interbank negotiable certificates of deposit	2,338,070	149,223	2,338,070	149,223
Sub-total	32,059,159	18,859,410	31,909,159	18,818,355
Wealth management products issued by other banks	14,005,677	7,755,850	14,005,677	7,755,850
Equity instruments ^(Note 1)	3,254,386	2,747,519	3,254,386	2,747,519
Trust and asset management plans	3,467,028	2,327,664	3,467,028	2,327,664
Sub-total	20,727,091	12,831,033	20,727,091	12,831,033
Less: impairment allowance for available-for-sale financial assets	(1,400,342)	(1,410,393)	(1,400,342)	(1,410,393)
Total	51,385,908	30,280,050	51,235,908	30,238,995

Note1: As at 31 December 2014, the equity investment mainly consists of:

The Bank restructured its loans and receivables of Minfa Security Co., Ltd. as equity investment. The Bank received these securities from the bankrupt properties distribution of Minfa Security Co., Ltd., which is a listed company. The fair value of the equity investment is RMB127,795 thousand. Also, the Bank restructured loans and receivables from Fuyou Security Co., Ltd. as equity investment. These securities were received by the Bank due to Supreme People's Court judgement. Fair value of the equity investment is RMB1,060,010 thousand. The equity investments recognised impairment provision of RMB77,588 thousand and RMB1,300,330 thousand respectively.

As at 31 December 2014, the fair value of the previous return on equity rights, which has now been recognised as equity investment, is RMB645,293 thousand. The equity investment recognised impairment provision of RMB22,424 thousand.

9. Held-to-maturity investments

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Government bonds	30,689,070	33,626,498	30,689,070	33,626,498
Financial institution bonds	2,073,241	4,008,616	2,073,241	3,987,981
Corporate bonds	7,658,255	6,625,334	7,658,255	6,583,745
Less: impairment allowance for held-to-maturity investments	-	-	-	-
Total	40,420,566	44,260,448	40,420,566	44,198,224

10. Investments classified as loans and receivables

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Government bonds	111,780	124,850
Trust and asset management plans	9,716,356	5,001,594
Less: impairment allowance for investments classified as loans and receivables	(36,304)	-
Total	9,791,832	5,126,444

11. Long-term equity investments

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Subsidiaries			1,077,800	1,077,800
Associates	457,752	450,190	457,752	450,190
Less: impairment allowance of long-term equity investment	(103,611)	(103,611)	(103,611)	(103,611)
Total	354,141	346,579	1,431,941	1,424,379

(a) Associates - continued

Name	Registration place	Nature of business	Registered capital	Shares held (%)	Percentage of voting rate (%)	Group and Bank			
						As at 31 December 2014		Year ended 31 December 2014	
						Total assets	Total liabilities	Operation income	Net profit / (loss)
Shanghai Jingyi Industry Development Co., Ltd.	Shanghai	Settle non-performing assets of Aijian Securities	1,794,500	18.874	18.874	1,369,223	51,474	-	35,000
Shanghai Hu Yang Highway Development Co., Ltd.	Shanghai	Highway management	550,000	35	35	1,492,659	891,667	225,663	44,736
Shanghai Southeast Suburb Ring Highway Development Co., Ltd.	Shanghai	Highway management	552,000	45	45	1,523,684	1,377,511	138,846	(17,991)
Total						4,385,566	2,320,652	364,509	61,745

Name	Registration place	Nature of business	Registered capital	Shares held (%)	Percentage of voting rate (%)	Group and Bank			
						As at 31 December 2013		Year ended 31 December 2013	
						Total assets	Total liabilities	Operation income	Net profit / (loss)
Shanghai Jingyi Industry Development Co., Ltd.	Shanghai	Settle non-performing assets of Aijian Securities	1,794,500	18.874	18.874	1,333,030	50,281	-	25,062
Shanghai Hu Yang Highway Development Co., Ltd.	Shanghai	Highway management	550,000	35	35	1,683,625	969,522	200,157	46,606
Shanghai Southeast Suburb Ring Highway Development Co., Ltd.	Shanghai	Highway management	552,000	45	45	1,612,010	1,397,246	129,899	(33,455)
Total						4,628,665	2,417,049	330,056	38,213

Investments in associates are listed as follows:

Name	Group and Bank			
	Initial investment cost	As at 1 January 2014	Net profit/(loss) under equity method	As at 31 December 2014
Shanghai Jingyi Industry Development Co., Ltd.	367,000	103,611	-	103,611
Shanghai Hu Yang Highway Development Co., Ltd.	192,500	249,935	15,658	265,593
Shanghai Southeast Suburb Ring Highway Development Co., Ltd.	248,400	96,644	(8,096)	88,548
Total	807,900	450,190	7,562	457,752

Name	Group and Bank			
	Initial investment cost	As at 1 January 2013	Net profit/(loss) under equity method	As at 31 December 2013
Shanghai Jingyi Industry Development Co., Ltd.	367,000	103,611	-	103,611
Shanghai Hu Yang Highway Development Co., Ltd.	192,500	233,623	16,312	249,935
Shanghai Southeast Suburb Ring Highway Development Co., Ltd.	248,400	111,699	(15,055)	96,644
Total	807,900	448,933	1,257	450,190

(b) Impairment of long-term equity investment

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Shanghai Jingyi Industry Development Co., Ltd.	(103,611)	(103,611)
Total	(103,611)	(103,611)

12. Property and equipment

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Net book value	4,899,434	3,446,765	4,757,190	3,296,927
Construction in progress ("CIP")	1,787,985	2,473,632	1,787,900	2,471,785
Total	6,687,419	5,920,397	6,545,090	5,768,712

(1) Movement of fixed assets

Item	Group					Total
	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	
Cost						
As at 1 January 2014	3,678,805	105,547	1,301,895	296,899	64,275	5,447,421
Additions	417,666	4,921	73,114	61,774	9,456	566,931
Transfer in from CIP	1,238,297	-	217,920	5,707	-	1,461,924
Disposals	(37,904)	(3,131)	(7,822)	(4,607)	(417)	(53,881)
As at 31 December 2014	5,296,864	107,337	1,585,107	359,773	73,314	7,422,395
Accumulated depreciation						
As at 1 January 2014	(1,169,831)	(58,851)	(612,529)	(131,210)	(28,235)	(2,000,656)
Charge for the year	(268,495)	(14,457)	(223,398)	(45,014)	(12,093)	(563,457)
Disposals	26,461	3,067	7,196	4,180	248	41,152
As at 31 December 2014	(1,411,865)	(70,241)	(828,731)	(172,044)	(40,080)	(2,522,961)
Net book value						
As at 1 January 2014	2,508,974	46,696	689,366	165,689	36,040	3,446,765
As at 31 December 2014	3,884,999	37,096	756,376	187,729	33,234	4,899,434

Item	Group					Total
	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	
Cost						
As at 1 January 2013	3,469,701	100,415	1,193,596	197,704	44,612	5,006,028
Additions	34,310	5,624	89,114	53,990	20,136	203,174
Transfer in from CIP	184,893	2,372	37,315	51,087	-	275,667
Disposals	(10,099)	(2,864)	(18,130)	(5,882)	(473)	(37,448)
As at 31 December 2013	3,678,805	105,547	1,301,895	296,899	64,275	5,447,421
Accumulated depreciation						
As at 1 January 2013	(980,253)	(47,285)	(415,972)	(100,937)	(18,632)	(1,563,079)
Charge for the year	(197,240)	(12,532)	(213,033)	(32,015)	(9,738)	(464,558)
Disposals	7,662	966	16,476	1,742	135	26,981
As at 31 December 2013	(1,169,831)	(58,851)	(612,529)	(131,210)	(28,235)	(2,000,656)
Net book value						
As at 1 January 2013	2,489,448	53,130	777,624	96,767	25,980	3,442,949
As at 31 December 2013	2,508,974	46,696	689,366	165,689	36,040	3,446,765

Bank						
Item	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	Total
Cost						
As at 1 January 2014	3,595,469	79,460	1,278,839	277,507	41,368	5,272,643
Additions	417,666	3,889	67,118	56,793	4,602	550,068
Transfer in from CIP	1,236,849	-	217,920	5,308	-	1,460,077
Disposals	(34,760)	(3,131)	(7,807)	(4,270)	(379)	(50,347)
As at 31 December 2014	5,215,224	80,218	1,556,070	335,338	45,591	7,232,441
Accumulated depreciation						
As at 1 January 2014	(1,163,512)	(52,738)	(608,695)	(127,115)	(23,656)	(1,975,716)
Charge for the year	(264,618)	(9,350)	(218,374)	(41,052)	(5,959)	(539,353)
Disposals	25,399	3,067	7,114	3,990	248	39,818
As at 31 December 2014	(1,402,731)	(59,021)	(819,955)	(164,177)	(29,367)	(2,475,251)
Net book value						
As at 1 January 2014	2,431,957	26,722	670,144	150,392	17,712	3,296,927
As at 31 December 2014	3,812,493	21,197	736,115	171,161	16,224	4,757,190

Bank						
Item	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	Total
Cost						
As at 1 January 2013	3,416,448	76,099	1,181,128	181,110	36,543	4,891,328
Additions	4,227	3,853	79,059	51,236	5,016	143,391
Transfer in from CIP	184,893	2,372	36,779	50,983	-	275,027
Disposals	(10,099)	(2,864)	(18,127)	(5,822)	(191)	(37,103)
As at 31 December 2013	3,595,469	79,460	1,278,839	277,507	41,368	5,272,643
Accumulated depreciation						
As at 1 January 2013	(977,841)	(45,998)	(415,704)	(100,286)	(18,173)	(1,558,002)
Charge for the year	(193,333)	(7,706)	(209,457)	(28,568)	(5,618)	(444,682)
Disposals	7,662	966	16,466	1,739	135	26,968
As at 31 December 2013	(1,163,512)	(52,738)	(608,695)	(127,115)	(23,656)	(1,975,716)
Net book value						
As at 1 January 2013	2,438,607	30,101	765,424	80,824	18,370	3,333,326
As at 31 December 2013	2,431,957	26,722	670,144	150,392	17,712	3,296,927

(2) Construction in progress

Group					
Item	Building	Transportation Equipment	Other Equipment	Others	Total
As at 1 January 2014	1,834,872	-	405,571	233,189	2,473,632
Additions	666,991	-	28,713	393,538	1,089,242
Transfer to fixed assets	(1,238,297)	-	(223,627)	-	(1,461,924)
Transfer to other assets	-	-	-	(312,965)	(312,965)
As at 31 December 2014	1,263,566	-	210,657	313,762	1,787,985

Group					
Item	Building	Transportation Equipment	Other Equipment	Others	Total
As at 1 January 2013	1,898,335	-	417,942	124,883	2,441,160
Additions	121,430	2,372	76,031	388,228	588,061
Transfer to fixed assets	(184,893)	(2,372)	(88,402)	-	(275,667)
Transfer to other assets	-	-	-	(279,922)	(279,922)
As at 31 December 2013	1,834,872	-	405,571	233,189	2,473,632

Bank					
Item	Building	Transportation Equipment	Other Equipment	Others	Total
As at 1 January 2014	1,833,424	-	405,172	233,189	2,471,785
Additions	666,991	-	28,637	392,799	1,088,427
Transfer to fixed assets	(1,236,849)	-	(223,228)	-	(1,460,077)
Transfer to other assets	-	-	-	(312,235)	(312,235)
As at 31 December 2014	1,263,566	-	210,581	313,753	1,787,900

Bank					
Item	Building	Transportation Equipment	Other Equipment	Others	Total
As at 1 January 2013	1,898,335	-	416,708	124,883	2,439,926
Additions	119,982	2,372	76,226	337,720	536,300
Transfer to fixed assets	(184,893)	(2,372)	(87,762)	-	(275,027)
Transfer to other assets	-	-	-	(229,414)	(229,414)
As at 31 December 2013	1,833,424	-	405,172	233,189	2,471,785

13. Deferred tax assets

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

Group				
Item	Deductible temporary differences		Deferred tax assets	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Carry-forward tax losses	-	2,584	-	646
Allowances for impairment losses	6,783,589	5,642,168	1,692,073	1,410,542
Share of net losses of investees under equity method	350,147	175,828	87,537	43,957
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	5,395	4,404	1,349	1,101
Changes in fair value of available-for-sale financial assets	-	497,144	-	124,286
Others	418,750	233,512	104,688	58,378
Total	7,557,881	6,555,640	1,885,647	1,638,910

Item	Group			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Changes in fair value of available-for-sale financial assets	(657,946)	-	(164,487)	-
Total	(657,946)	-	(164,487)	-

Item	Bank			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Allowances for impairment losses	6,450,662	5,477,412	1,612,665	1,369,653
Share of net losses of investees under equity method	350,147	175,828	87,537	43,957
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	5,395	4,404	1,349	1,101
Changes in fair value of available-for-sale financial assets	-	497,148	-	124,287
Others	418,668	233,500	104,667	58,375
Total	7,224,872	6,388,292	1,806,218	1,597,373

Item	Bank			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Changes in fair value of available-for-sale financial assets	(657,946)	-	(164,487)	-
Total	(657,946)	-	(164,487)	-

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

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Deferred tax assets	1,721,160	1,638,910	1,641,731	1,597,373
Deferred tax liabilities	-	-	-	-
Total	1,721,160	1,638,910	1,641,731	1,597,373

14. Other assets

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Other receivables and prepayments	218,568	251,203	198,056	234,613
Foreclosed assets	137,461	628,636	137,461	628,636
Long-term prepaid expenses	220,510	206,235	143,688	132,708
Intangible assets	844,573	666,602	844,366	666,387
Total	1,421,112	1,752,676	1,323,571	1,662,344

(a) Other receivables and prepayments

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Intra-city bills under collection	37,148	8,722	37,120	8,722
Prepaid legal expenses	34,355	20,913	32,801	20,801
Rental deposits	8,754	9,474	8,672	9,191
Others	144,998	218,781	126,150	202,586
Sub-total	225,255	257,890	204,743	241,300
Less: impairment allowance	(6,687)	(6,687)	(6,687)	(6,687)
Total	218,568	251,203	198,056	234,613

(b) Foreclosed assets

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Land use rights	136,738	140,629
Buildings	-	499,643
Machinery	-	1,609
Others	25,730	26,831
Total	162,468	668,712
Less: impairment allowance	(25,007)	(40,076)
Net book value	137,461	628,636

(c) Long-term prepaid expenses

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Leasehold improvement	204,147	185,912	132,622	115,671
Network architecture expenses	9,514	11,740	9,057	11,390
Prepaid rental expenses	4,052	5,906	1,195	4,906
Others	2,797	2,677	814	741
Total	220,510	206,235	143,688	132,708

(d) Intangible assets

Item	Group			Bank		
	Land use right	Software	Total	Land use right	Software	Total
Cost						
As at 1 January 2014	524,613	255,197	779,810	524,613	254,948	779,561
Additions	-	245,965	245,965	-	245,926	245,926
Disposals	-	(2,680)	(2,680)	-	(2,680)	(2,680)
As at 31 December 2014	524,613	498,482	1,023,095	524,613	498,194	1,022,807
Accumulated amortisation						
As at 1 January 2014	(20,185)	(93,023)	(113,208)	(20,185)	(92,989)	(113,174)
Charge of the year	(12,997)	(54,997)	(67,994)	(12,997)	(54,950)	(67,947)
Disposals	-	2,680	2,680	-	2,680	2,680
As at 31 December 2014	(33,182)	(145,340)	(178,522)	(33,182)	(145,259)	(178,441)
Net book value						
As at 1 January 2014	504,428	162,174	666,602	504,428	161,959	666,387
As at 31 December 2014	491,431	353,142	844,573	491,431	352,935	844,366

Item	Group			Bank		
	Land use right	Software	Total	Land use right	Software	Total
Cost						
As at 1 January 2013	402,607	163,112	565,719	402,607	162,988	565,595
Additions	122,006	96,870	218,876	122,006	96,745	218,751
Disposals	-	(4,785)	(4,785)	-	(4,785)	(4,785)
As at 31 December 2013	524,613	255,197	779,810	524,613	254,948	779,561
Accumulated amortisation						
As at 1 January 2013	(8,290)	(64,002)	(72,292)	(8,290)	(63,998)	(72,288)
Charge of the year	(11,895)	(33,456)	(45,351)	(11,895)	(33,426)	(45,321)
Disposals	-	4,435	4,435	-	4,435	4,435
As at 31 December 2013	(20,185)	(93,023)	(113,208)	(20,185)	(92,989)	(113,174)
Net book value						
As at 1 January 2013	394,317	99,110	493,427	394,317	98,990	493,307
As at 31 December 2013	504,428	162,174	666,602	504,428	161,959	666,387

15. Impairment of assets

Item	Group					
	Current Year					
	Opening balance	Charge of the year	Transfer in / (out)	Write off	Recovery of loans previously written off	Closing balance
Loans and advances to customers	5,948,076	1,902,276	(96,737)	(742,953)	23,384	7,034,046
Available-for-sale financial assets	1,410,393	-	(10,051)	-	-	1,400,342
Investments classified as loans and receivables	-	36,304	-	-	-	36,304
Long-term equity investments	103,611	-	-	-	-	103,611
Other receivables	6,687	-	-	-	-	6,687
Foreclosed assets	40,076	-	(15,069)	-	-	25,007
Total	7,508,843	1,938,580	(121,857)	(742,953)	23,384	8,605,997

Item	Group					
	Prior Year					
	Opening balance	Charge of the year	Transfer in / (out)	Write off	Recovery of loans previously written off	Closing balance
Loans and advances to customers	5,522,799	713,669	(56,394)	(235,760)	3,762	5,948,076
Available-for-sale financial assets	1,132,822	277,571	-	-	-	1,410,393
Long-term equity investments	103,611	-	-	-	-	103,611
Other receivables	6,687	-	-	-	-	6,687
Foreclosed assets	39,999	77	-	-	-	40,076
Total	6,805,918	991,317	(56,394)	(235,760)	3,762	7,508,843

Item	Bank					
	Current Year					
	Opening balance	Charge of the year	Transfer in / (out)	Write off	Recovery of loans previously written off	Closing balance
Loans and advances to customers	5,690,966	1,689,127	(96,452)	(742,953)	23,384	6,564,072
Available-for-sale financial assets	1,410,393	-	(10,051)	-	-	1,400,342
Investments classified as loans and receivables	-	36,304	-	-	-	36,304
Long-term equity investments	103,611	-	-	-	-	103,611
Other receivables	6,687	-	-	-	-	6,687
Foreclosed assets	40,076	-	(15,069)	-	-	25,007
Total	7,251,733	1,725,431	(121,572)	(742,953)	23,384	8,136,023

Item	Bank					
	Prior Year					
	Opening balance	Charge of the year	Transfer in / (out)	Write off	Recovery of loans previously written off	Closing balance
Loans and advances to customers	5,423,334	556,022	(56,392)	(235,760)	3,762	5,690,966
Available-for-sale financial assets	1,132,822	277,571	-	-	-	1,410,393
Long-term equity investments	103,611	-	-	-	-	103,611
Other receivables	6,687	-	-	-	-	6,687
Foreclosed assets	39,999	77	-	-	-	40,076
Total	6,706,453	833,670	(56,392)	(235,760)	3,762	7,251,733

16. Due to banks and other financial institutions

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Deposits from domestic banks	3,395,963	5,870,386	9,238,989	10,209,484
Deposits from security firms	4,100,000	1,527,361	4,100,000	1,527,361
Deposits from other financial institutions	1,650,000	1,522,051	1,050,000	1,522,051
Total	9,145,963	8,919,798	14,388,989	13,258,896

17. Placements from banks and other financial institutions

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Placements from domestic banks	1,420,602	1,304,844
Placements from overseas banks	482,266	739,802
Total	1,902,868	2,044,646

18. Assets sold under repurchase agreement

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Securities	18,285,770	8,477,152
Bills	283,763	7,900
Total	18,569,533	8,485,052

19. Due to customers

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Demand deposits				
Corporate	132,977,654	122,321,032	122,522,270	113,501,026
Individual	28,172,688	25,787,255	25,606,663	23,562,825
Time deposits				
Corporate	63,198,461	51,061,621	59,533,719	48,475,353
Individual	159,572,049	142,394,737	156,248,190	140,218,886
Pledged deposits held as collateral	4,825,596	3,389,681	4,384,583	2,910,822
Other deposits	6,761,103	6,488,078	6,658,600	6,488,077
Total	395,507,551	351,442,404	374,954,025	335,156,989

20. Employee benefits payables

Item	Group			
	Current Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	889,747	2,365,263	(1,985,443)	1,269,567
Employee welfare	-	267,714	(267,679)	35
Social security contributions	9,319	527,866	(526,691)	10,494
Housing funds	64	147,445	(147,495)	14
Labour union fee and staff education expenses	100	68,273	(68,324)	49
Defined benefit plan	361,350	12,720	(18,486)	355,584
Total	1,260,580	3,389,281	(3,014,118)	1,635,743

Item	Group			
	Prior Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	1,099,852	1,407,384	(1,617,489)	889,747
Employee welfare	-	246,352	(246,352)	-
Social security contributions	9,712	519,641	(520,034)	9,319
Housing funds	140	129,856	(129,932)	64
Labour union fee and staff education expenses	42	47,299	(47,241)	100
Defined benefit plan	343,884	38,550	(21,084)	361,350
Total	1,453,630	2,389,082	(2,582,132)	1,260,580

Item	Bank			
	Current Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	878,483	2,237,752	(1,864,371)	1,251,864
Employee welfare	-	246,001	(246,001)	-
Social security contributions	9,213	520,011	(518,807)	10,417
Housing funds	-	139,371	(139,369)	2
Labour union fee and staff education expenses	100	65,091	(65,191)	-
Defined benefit plan	361,350	12,720	(18,486)	355,584
Total	1,249,146	3,220,946	(2,852,225)	1,617,867

Item	Bank			
	Prior Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	1,093,603	1,321,962	(1,537,082)	878,483
Employee welfare	-	233,272	(233,272)	-
Social security contributions	9,345	505,774	(505,906)	9,213
Housing funds	55	123,368	(123,423)	-
Labour union fee and staff education expenses	-	45,146	(45,046)	100
Defined benefit plan	343,884	38,550	(21,084)	361,350
Total	1,446,887	2,268,072	(2,465,813)	1,249,146

21. Taxes payable

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Income tax	752,443	412,876	699,313	373,224
Business tax and surcharges	236,160	201,478	226,366	194,389
Withholding individual income tax	35,065	34,319	33,357	32,790
Others	8,825	4,795	6,678	4,601
Total	1,032,493	653,468	965,714	605,004

22. Interest payables

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Due to customers, banks and other financial institutions	8,281,481	6,881,599	8,179,380	6,819,524
Debt securities issued	10,856	17,384	10,849	17,384
Others	1,492	-	1,492	-
Total	8,293,829	6,898,983	8,191,721	6,836,908

23. Debt securities issued

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Subordinated debt ^(Note 1)	-	1,500,000
Financial debt ^(Note 2)	5,000,000	5,000,000
Interbank negotiable certificates of deposit ^(Note 3)	2,955,158	-
Total	7,955,158	6,500,000

Note 1: The Bank issued a 10-year fixed-rate subordinated debt with the face value of RMB1.5 billion in November 2009. The annual interest rate of the bonds is 5.3% for the first year to fifth year, and is 8.3% from the sixth year. According to the terms of issue, the Banks can choose to redeem the bonds at the end of the first five years at par value. The repayment of subordinated debt is after the other general obligations, and prior to the Bank's shareholders. On 2 December 2014, the Bank exercised the prepayment option and redeemed this bond.

Note 2: The Bank issued 3 year fixed rate bonds on 12 December 2012. The par value of the financial bonds is RMB5 billion and the coupon rate is 4.4%.

Note 3: Interbank negotiable certificates of deposit issued by the Bank through China Foreign Exchange Trade System, of which measured at amortised cost.

24. Other liabilities

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Funds under settlement process	521,115	251,544	456,479	248,327
Education funds	51,418	51,418	51,418	51,418
Construction expenses	18,955	17,191	18,891	-
Others	338,370	228,586	312,712	220,152
Total	929,858	548,739	839,500	519,897

25. Share capital

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Number of shares issued (in thousands)	5,000,000	5,000,000
Share capital (in thousands of RMB)	5,000,000	5,000,000

26. Capital reserve

Group and Bank				
Current Year				
Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Capital reserve	8,111,058	-	-	8,111,058

Group and Bank				
Prior Year				
Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Capital reserve	8,111,058	-	-	8,111,058

27. Other comprehensive income

(1) Items in other comprehensive income

Group and Bank						
Item	Year ended 31 December 2014			Year ended 31 December 2013		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
1. Other comprehensive income items which will be reclassified subsequently to profit or loss	1,155,090	(288,773)	866,317	(585,157)	146,289	(438,868)
Changes in fair value of available-for-sale financial assets	1,155,090	(288,773)	866,317	(585,157)	146,289	(438,868)
Total	1,155,090	(288,773)	866,317	(585,157)	146,289	(438,868)

(2) Movement of other comprehensive income

Group and Bank				
Current Year				
Item	Opening balance	Increase/ (decrease) during the year	Transfer out	Closing balance
Changes in fair value of available-for-sale financial assets	(372,857)	866,317	-	493,460

Group and Bank				
Prior Year				
Item	Opening balance	Increase/ (decrease) during the year	Transfer out	Closing balance
Changes in fair value of available-for-sale financial assets	66,011	(438,868)	-	(372,857)

28. Surplus reserve

Group and Bank				
Current Year				
Item	Opening balance	Increase during the year	Decease during the year	Closing balance
Statutory reserve	1,799,333	411,566	-	2,210,899
Discretionary reserve	4,336,697	857,278	-	5,193,975
Total	6,136,030	1,268,844	-	7,404,874

Group and Bank				
Prior Year				
Item	Opening balance	Increase during the year	Decease during the year	Closing balance
Statutory reserve	1,419,218	380,115	-	1,799,333
Discretionary reserve	3,680,129	656,568	-	4,336,697
Total	5,099,347	1,036,683	-	6,136,030

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 a resolution at the Board of Directors, the Bank appropriated 10% of net profit of 2013, amounting to RMB411,566 thousand for the year 2013 (2013: RMB380,115 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 30 April 2014, the Bank appropriated RMB857,278 thousand as discretionary reserve (2013: RMB656,568 thousand).

29. General Reserve

Group and Bank				
Current Year				
Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
General Reserve	3,578,033	390,428	-	3,968,461

Group and Bank				
Prior Year				
Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
General Reserve	2,625,540	952,493	-	3,578,033

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. As at 31 December 2014 and 2013, the amount transfer to general reserve was proposed by the Board of Directors and approved by the General Meetings of Shareholders.

30. Retained earnings

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Opening balance	9,415,986	7,840,040	9,374,775	7,898,292
Add: Net profit attributable to the Bank's shareholders	4,848,224	4,215,122	4,704,536	4,115,659
Less: Appropriation to statutory reserve	411,566	380,115	411,566	380,115
Appropriation to discretionary reserve	857,278	656,568	857,278	656,568
Appropriation to general reserve	390,428	952,493	390,428	952,493
Dividends paid	700,000	650,000	700,000	650,000
Closing balance	11,904,938	9,415,986	11,720,039	9,374,775

In accordance with the resolution at the general meeting of shareholders dated on 30 April 2014, the Bank declares a cash dividend in the amount of RMB 700,000 thousand (2013: RMB650,000 thousand).

In accordance with the resolution at the Board of Directors' meeting dated on 30 March 2015, the directors proposed the following appropriations to the Bank's net profit of 2014.

In accordance with the 2014 annual after-tax profit legal statements, the Bank made statutory reserve of RMB470,454 thousand, made discretionary reserve of RMB1,014,769 thousand and made general reserve of RMB1,101,894 thousand. The Bank distributed 18% of cash dividend of RMB900,000 thousand (included tax) from equity for the common stock. The plan is subject to a final review by the annual general meeting.

As at 31 December 2014, retained earnings of the Group included RMB24,081 thousand of subsidiaries' statutory reserve attributable to the Bank (31 December 2013: RMB6,361 thousand). Retained earnings of the Group included RMB32,579 thousand of subsidiaries' general reserve attributable to the Bank (31 December 2013: RMB5,687 thousand).

31. Net interest income

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Interest income				
- Due from banks and other financial institutions	478,085	578,238	418,094	553,442
- Deposits with central bank	1,094,254	939,242	1,055,831	912,671
- Placement with other banks and financial assets purchased under resale agreement	1,685,411	1,383,833	1,685,411	1,383,833
- Loans and advances to customers				
of which: individual loans	1,957,123	1,348,372	1,408,261	1,091,458
corporate loans and advances	10,789,839	10,491,587	10,347,404	10,131,695
discount bills	3,302,320	2,303,110	3,301,740	2,303,110
- Investment securities	3,169,133	2,312,939	3,168,604	2,291,699
- Others	3,241	554	3,241	554
Sub-total	22,479,406	19,357,875	21,388,586	18,668,462
Interest expense				
- Borrowings from central bank	(55,427)	(20,697)	(9,278)	(8)
- Due to banks and other financial institutions	(453,292)	(786,150)	(684,777)	(933,747)
- Placements from banks and other financial institutions and assets sold under repurchase agreement	(893,965)	(737,011)	(893,965)	(737,007)
- Due to customers	(8,472,678)	(7,613,535)	(8,228,622)	(7,476,256)
- Debt securities issued	(297,782)	(300,607)	(297,782)	(300,607)
- Others	(34,395)	(17,215)	(30,996)	(16,674)
Sub-total	(10,207,539)	(9,475,215)	(10,145,420)	(9,464,299)
Net interest income	12,271,867	9,882,660	11,243,166	9,204,163

32. Net fee and commission income

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Fee and commission income				
Agency services	435,224	317,779	521,523	345,063
Electronic banking services	293,816	213,827	293,452	213,827
Settlement and clearing services	149,911	137,472	149,455	136,797
Consultancy and advisory services	146,604	160,566	146,565	160,559
Wealth management services	139,034	71,854	139,034	73,392
Others	11,122	4,095	10,874	1,555
Sub-total	1,175,711	905,593	1,260,903	931,193
Fee and commission expense				
Fund collecting commissioning service charges	(60,175)	(55,445)	(60,167)	(55,322)
Settlement and clearing services	(48,376)	(44,631)	(44,783)	(43,194)
Others	(13,112)	(5,383)	(12,515)	(4,514)
Sub-total	(121,663)	(105,459)	(117,465)	(103,030)
Net fee and commission income	1,054,048	800,134	1,143,438	828,163

33. Investment income

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Financial asset at fair value through profit or loss and derivative instruments	(14,248)	(28,919)	(14,248)	(28,919)
Available-for-sale financial assets	619,921	501,402	607,305	498,924
Investments classified as loans and receivables	114,152	(20,853)	114,152	(20,853)
Long-term equity investments- investments in associates	7,562	1,257	7,562	1,257
Precious metals	8,448	4,548	8,448	4,548
Dividend income	3,900	6,465	26,850	11,565
Total	739,735	463,900	750,069	466,522

34. Business tax and levies

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Business tax	742,473	666,114	712,237	647,292
Education surcharge	37,158	33,301	35,650	32,365
Urban construction tax	33,389	28,042	31,702	27,010
Others	7,200	6,478	7,075	6,389
Total	820,220	733,935	786,664	713,056

35. General and administrative expenses

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Staff costs	3,389,281	2,389,082	3,220,946	2,268,072
Office and administrative expense	1,117,336	1,206,519	986,075	1,079,137
Depreciation of property and equipment	563,457	464,558	539,353	444,682
Rental expenses	189,663	167,147	163,982	146,150
Amortisation of intangible assets	67,994	45,351	67,947	45,321
Amortisation of long-term prepaid expenses	66,562	60,044	48,400	45,052
Total	5,394,293	4,332,701	5,026,703	4,028,414

36. Impairment losses on assets

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Loans and advances to customers	1,902,276	713,669	1,689,127	556,022
Available-for-sale financial instruments	-	277,571	-	277,571
Investments classified as loans and receivables	36,304	-	36,304	-
Foreclosed assets	-	77	-	77
Total	1,938,580	991,317	1,725,431	833,670

37. Non-operating income

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Proceeds from security companies	62,665	15,909	62,665	15,909
- Minfa Security Co., Ltd.	31,504	-	31,504	-
- Wuhan Security Co., Ltd.	17,903	-	17,903	-
- Nanfang Security Co., Ltd.	13,258	15,909	13,258	15,909
Gain on recovery of non-performing assets transferred to Shanghai Municipal Government ^(Note 1)	16,928	3,254	16,928	3,254
Gains on disposal and physical inspection of fixed assets	7,795	39,616	7,795	39,616
Gains on disposal of long-term unclaimed deposits	3,327	1,854	3,327	1,854
Government grants	101,411	71,816	2,159	-
Others	29,228	49,975	26,966	33,160
Total	221,354	182,424	119,840	93,793

Note1: Shanghai Municipal Government also injected cash and land use rights to the Bank in exchange for the Bank's non-performing assets with the contract value of RMB5,510,577 thousand in 2005. These assets were also derecognised in accordance with the above Yin Jian Ban Tong [2003] No. 83, and were accounted for as off-balance-sheet items. Pursuant to Cai Zhu Hu Jian [2008] No. 166 "Report of the inspection on quality of accounting information of Shanghai Rural Commercial Bank Co., Ltd. for the year of 2007" issued by Shanghai Commissioners' Office of the Ministry of Finance, such proceeds were recorded as non-operating income by the Bank in the year of receipt. The Bank recognised such non-operating income in the amount of RMB16,928 thousand for the year ended 31 December 2014 (Year ended 31 December 2013: RMB3,254 thousand).

38. Non-operating expense

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Donations	12,707	2,850	12,035	2,472
Losses on disposal of fixed assets	1,138	2,961	929	2,961
Others	18,594	7,001	18,448	6,800
Total	32,439	12,812	31,412	12,233

39. Income tax expense

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Current income tax	1,524,904	1,021,231	1,380,679	963,863
Deferred income tax	(371,023)	(52,446)	(333,132)	(44,614)
Total	1,153,881	968,785	1,047,547	919,249

Reconciliation between income tax expenses and accounting profit:

Item	Group	
	Year ended 31 December 2014	Year ended 31 December 2013
Profit before tax	6,166,876	5,285,927
Tax calculated at applicable tax rate	1,544,519	1,321,482
Tax effect arising from income not subject to tax	(385,449)	(345,486)
Tax effect of expenses not deductible for tax purposes	17,575	20,702
Effect of deductible expenses for using pre-unrecognised deferred income tax assets	(3,214)	(13,355)
Differences arising from tax filing	(19,550)	(14,558)
Income tax expense	1,153,881	968,785

Item	Bank	
	Year ended 31 December 2014	Year ended 31 December 2013
Profit before tax	5,752,083	5,034,908
Tax calculated at applicable tax rate	1,438,021	1,258,727
Tax effect arising from income not subject to tax	(385,120)	(342,921)
Tax effect of expenses not deductible for tax purposes	13,970	14,930
Differences arising from tax filing	(19,324)	(11,487)
Income tax expense	1,047,547	919,249

40. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
I. Reconciliation of net profit to cash flows from operating activities:				
Net profit	5,012,995	4,317,142	4,704,536	4,115,659
Adjustment: Impairment loss	1,938,580	991,317	1,725,431	833,670
Depreciation of fixed assets	563,457	464,558	539,353	444,682
Amortisation of intangible asset	67,994	45,351	67,947	45,321
Amortisation of long-term prepaid expenses	66,562	60,044	48,400	45,052
Losses/(gains) on disposal of fixed assets and foreclosed assets	(6,657)	(36,655)	(6,866)	(36,655)
Losses/(gains) on changes in fair value	991	2,988	991	2,988
Interest income for investment securities	(3,169,133)	(2,312,939)	(3,168,604)	(2,291,699)
Investment loss/(income)	(742,902)	(463,900)	(753,236)	(466,522)
Interest expenses for debt securities issued	297,782	299,547	297,782	299,547
Decrease (increase) of deferred income tax assets	(371,023)	(52,446)	(333,132)	(44,614)
Decrease (increase) on operating receivable	(45,691,065)	(36,113,884)	(42,666,472)	(28,286,539)
Increase (decrease) on operating payable	57,790,703	55,534,252	53,780,214	47,251,363
Net cash provided from operating activities	15,758,284	22,735,375	14,236,344	21,912,253
II. Net increase in cash and cash equivalents				
Cash and cash equivalents at end of year	16,528,698	21,286,541	12,536,098	18,689,306
Less: cash and cash equivalents at beginning of year	21,286,541	12,866,957	18,689,306	11,740,857
Net increase/(decrease) in cash and cash equivalents	(4,757,843)	8,419,584	(6,153,208)	6,948,449

(2) Cash and cash equivalents

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Cash	2,512,730	2,042,919	2,418,710	1,960,163
Balances with central bank	6,842,751	11,560,975	6,051,056	10,082,621
Due from banks and other financial institutions	7,173,217	7,682,647	4,066,332	6,646,522
Total	16,528,698	21,286,541	12,536,098	18,689,306

41. 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 2014	As at 31 December 2013
Investment securities	18,427,666	8,740,600
Bills	283,763	7,900
Total	18,711,429	8,748,500

(2) Collateral accepted

The Group received debt securities, bills, loans and other assets as collateral in connection with the purchase of assets under resale agreements. Certain of these collaterals can be resold or re-pledged. The Group and the Bank has accepted collateral that can be resold or re-pledged with a carrying amount of RMB428,143 thousand as at 31 December 2013 (Group and Bank as at 31 December 2013: Nil). The Group and the Bank has not resold or re-pledged any collateral accepted as at 31 December 2013 (Group and Bank as at 31 December 2013: Nil).

42. 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 2014 and 2013, 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. 18).

The following table provides a summary of carrying amounts related to transferred financial assets that are not derecognised and associated liabilities:

Item	Group and Bank							
	As at 31 December 2014				As at 31 December 2013			
	Available-for-sale financial assets	Held-to-maturity investments	Loans and advances to customers	Total	Available-for-sale financial assets	Held-to-maturity investments	Loans and advances to customers	Total
Carrying amount of transferred assets	4,976,192	13,451,474	283,763	18,711,429	1,281,281	7,459,319	7,900	8,748,500
Carrying amount of associated liabilities	5,104,452	13,181,318	283,763	18,569,533	1,244,552	7,232,600	7,900	8,485,052

43. 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 2014, the wealth management products managed and consolidated by the Group amounted to RMB8,929,651 thousand (As at 31 December 2013: RMB3,551,307 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 due to customers.

(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 size of these structured entities sponsored by the Group, the carrying values recognised in the consolidated balance sheet of the Group's interests in unconsolidated structured entities and the Group's maximum exposure to loss as at 31 December 2014:

Group and Bank				
As at 31 December 2014				
Item	Size	Interests	Maximum exposure to loss	Type of income
Trusts and asset management products	13,147,080	13,147,080	13,147,080	Investment income
Wealth management products	29,013,488	14,005,677	14,005,677	Commission income and investment income
Total	42,160,568	27,152,757	27,152,757	

Group and Bank				
As at 31 December 2013				
Item	Size	Interests	Maximum exposure to loss	Type of income
Trusts and asset management products	7,329,258	7,329,258	7,329,258	Investment income
Wealth management products	13,434,825	7,755,850	7,755,850	Commission income and investment income
Total	20,764,083	15,085,108	15,085,108	

The Group's interests in unconsolidated structured entities are recognised in investment classified as loans and receivables and available-for-sale financial assets.

Details of the Group involves with structured entities through investments in structured entities are as follows:

Group and Bank				
Item	As at 31 December 2014		As at 31 December 2013	
	Available-for-sale financial assets	Investments classified as loans and receivables	Available-for-sale financial assets	Investments classified as loans and receivables
Trusts and asset management products	3,467,028	9,680,052	2,327,664	5,001,594
Wealth management products	14,005,677	-	7,755,850	-
Total	17,472,705	9,680,052	10,083,514	5,001,594

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Related parties

During the reporting period, the Group did not have any related parties who controlled the Group or were controlled by the Group. The Group's related parties include key management personnel (including directors and senior management personnel) and their close family members, as well as entities that are controlled, joint controlled or significantly influenced by key management personnel and their close family members, and shareholders who hold more than 5% equity shares of the Bank.

(1) Subsidiaries and associates

Please refer to Note VIII for the subsidiary information and Note IX.11 for the associate information.

(2) Nature of related parties that do not control or are not controlled by the Bank

Shareholders who hold more than 5% equity shares of the Bank in 2014:

Name of entity	Main business	Percentage of total shares (%)
ANZ Banking (Group) Co., Ltd.	Banking	20.00
Shanghai International (Group) Co., Ltd.	Investment	8.01
Shanghai State-owned Assets management Co., Ltd.	Capital management and industrial investment	8.01
China Pacific Life Insurance Co., Ltd.	Insurance and capital investment	7.00
Shenzhen Lenovo Science and Technology Park Co., Ltd.	Investment	5.73

2. Significant transactions with related parties

The transactions with related parties were all conducted under normal commercial terms.

(1) Interest income

Type of related party	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
Subsidiaries			-	1,229
Other related parties	45,427	10,125	45,427	10,125
Total	45,427	10,125	45,427	11,354

(2) Interest expense

Type of related party	Bank	
	Year ended 31 December 2014	Year ended 31 December 2013
Subsidiaries	281,839	153,590
Total	281,839	153,590

(3) Fee and commission income

Type of related party	Bank	
	Year ended 31 December 2014	Year ended 31 December 2013
Subsidiaries	88,145	27,910
Total	88,145	27,910

(4) Key management personnel cost

Item	Group and Bank	
	Year ended 31 December 2014	Year ended 31 December 2013
Salary and bonus	17,358	20,779
Total	17,358	20,779

3. Major balances with related parties

(1) Due from banks and other financial institutions

Type of related party	Bank	
	As at 31 December 2014	As at 31 December 2013
Subsidiaries	-	100,000
Total	-	100,000

(2) Loans and advances to customers

Type of related party	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Other related parties	142,147	123,461
Total	142,147	123,461

(3) Due to banks and other financial institutions

Type of related party	Bank	
	As at 31 December 2014	As at 31 December 2013
Subsidiaries	5,873,944	4,941,399
Total	5,873,944	4,941,399

4.No guaranteed financial products

Type of related party	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Subsidiaries	150,000	40,000
Total	150,000	40,000

XI. CONTINGENT LIABILITIES

1. Legal proceedings

There was no significant legal proceeding outstanding against the Group as at 31 December 2014 (As at 31 December 2013: Nil).

XII. COMMITMENTS

1. Credit-related commitments

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Credit-related commitments	12,555,162	5,638,236
Acceptances	5,716,508	4,398,283
Letters of guarantee	1,817,922	1,385,851
Letters of credit	1,261,790	1,943,169
Total	21,351,382	13,365,539

2. Capital commitments

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Authorised but not contracted for	217,001	60,866	217,001	60,866
Contracted but not provided for	454,781	186,210	453,632	173,431
Total	671,782	247,076	670,633	234,297

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 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Within 1 year	274,885	164,760	246,223	141,198
Beyond 1 year and not more than 5 years	543,758	522,285	451,975	433,547
More than 5 years	280,678	251,036	223,837	188,623
Total	1,099,321	938,081	922,035	763,368

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 RMB2,285,006 thousand as at 31 December 2014 (as at 31 December 2013: RMB1,599,089 thousand). The original maturities of these bonds vary from 3 to 5 years.

XIII. FIDUCIARY ACTIVITIES

Item	Group and Bank	
	As at 31 December 2014	As at 31 December 2013
Entrusted loans	66,098,326	56,300,160
Entrusted investment funds	29,013,488	13,434,825

XIV. OTHER SIGNIFICANT EVENTS

1. Segment Reporting

Item	Group				
	Year ended 31 December 2014				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
I. Operating income	7,997,729	3,861,264	2,045,919	246,391	14,151,303
Net interest income	7,428,500	3,389,886	1,294,364	159,117	12,271,867
Of which: external net interest income	8,577,333	(3,675,120)	6,861,614	508,040	12,271,867
internal net interest income	(1,148,833)	7,065,006	(5,567,250)	(348,923)	-
Net fee and commission income	508,515	469,878	64,785	10,870	1,054,048
Investment income	(10,334)	-	705,606	44,463	739,735
Gains / (losses) from changes in fair value	-	-	(991)	-	(991)
Exchange gains	58,360	1,500	(17,845)	19,197	61,212
Other operating income	12,688	-	-	12,744	25,432
II. Operating expense	(4,730,560)	(1,829,263)	(365,689)	(1,247,830)	(8,173,342)
Business taxes and levies	(651,396)	(121,458)	(43,736)	(3,630)	(820,220)
General and administrative expenses	(2,292,850)	(1,573,131)	(285,649)	(1,242,663)	(5,394,293)
Impairment losses reversed / (charged)	(1,767,602)	(134,674)	(36,304)	-	(1,938,580)
Other operating expense	(18,712)	-	-	(1,537)	(20,249)
III. Operating income	3,267,169	2,032,001	1,680,230	(1,001,439)	5,977,961
Add: non-operating income	-	-	-	221,354	221,354
Less: non-operating expenses	-	-	-	(32,439)	(32,439)
Profit before tax	3,267,169	2,032,001	1,680,230	(812,524)	6,166,876
Total assets	222,867,502	32,473,557	146,254,300	83,707,822	485,303,181
Total liabilities	(210,829,986)	(194,947,596)	(31,571,874)	(9,810,214)	(447,159,670)

Item	Group				
	Year ended 31 December 2013				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
I. Operating income	6,860,955	2,695,195	1,399,854	232,336	11,188,340
Net interest income	6,759,311	2,266,566	850,901	5,882	9,882,660
Of which: external net interest income	8,710,699	(4,173,262)	5,339,341	5,882	9,882,660
internal net interest income	(1,951,388)	6,439,828	(4,488,440)	-	-
Net fee and commission income	104,031	428,629	97,016	170,458	800,134
Investment income	(2,622)	-	454,925	11,597	463,900
Gains / (losses) from changes in fair value	-	-	(2,988)	-	(2,988)
Exchange gains	-	-	-	24,133	24,133
Other operating income	235	-	-	20,266	20,501
II. Operating expense	(3,241,268)	(1,426,756)	(385,067)	(1,018,934)	(6,072,025)
Business taxes and levies	(321,065)	(299,871)	(112,999)	-	(733,935)
General and administrative expenses	(2,309,178)	(1,021,940)	(272,068)	(729,515)	(4,332,701)
Impairment losses reversed / (charged)	(608,724)	(104,945)	-	(277,648)	(991,317)
Other operating expense	(2,301)	-	-	(11,771)	(14,072)
III. Operating income	3,619,687	1,268,439	1,014,787	(786,598)	5,116,315
Add: non-operating income	88,631	-	-	93,793	182,424
Less: non-operating expenses	-	-	-	(12,812)	(12,812)
Profit before tax	3,708,318	1,268,439	1,014,787	(705,617)	5,285,927
Total assets	198,868,969	26,179,569	97,844,797	97,998,974	420,892,309
Total liabilities	(183,500,986)	(173,389,101)	(25,816,960)	(5,196,646)	(387,903,693)

Item	Bank				
	Year ended 31 December 2014				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
I. Operating income	7,828,317	3,382,339	1,757,313	254,117	13,222,086
Net interest income	7,159,604	2,910,961	1,005,758	166,843	11,243,166
Of which: external net interest income	8,308,437	(4,154,045)	6,573,008	515,766	11,243,166
internal net interest income	(1,148,833)	7,065,006	(5,567,250)	(348,923)	-
Net fee and commission income	597,905	469,878	64,785	10,870	1,143,438
Investment income	-	-	705,606	44,463	750,069
Gains / (losses) from changes in fair value	-	-	(991)	-	(991)
Exchange gains	58,360	1,500	(17,845)	19,197	61,212
Other operating income	12,448	-	-	12,744	25,192
II. Operating expense	(4,439,065)	(1,542,233)	(343,433)	(1,233,700)	(7,558,431)
Business taxes and levies	(637,768)	(104,574)	(41,874)	(2,448)	(786,664)
General and administrative expenses	(2,143,560)	(1,388,173)	(265,255)	(1,229,715)	(5,026,703)
Impairment losses reversed / (charged)	(1,639,641)	(49,486)	(36,304)	-	(1,725,431)
Other operating expense	(18,096)	-	-	(1,537)	(19,633)
III. Operating income	3,389,252	1,840,106	1,413,880	(979,583)	5,663,655
Add: non-operating income	-	-	-	119,840	119,840
Less: non-operating expenses	-	-	-	(31,412)	(31,412)
Profit before tax	3,389,252	1,840,106	1,413,880	(891,155)	5,752,083
Total assets	215,654,824	27,385,524	142,402,095	81,158,498	466,600,941
Total liabilities	(196,118,908)	(188,977,831)	(36,841,673)	(7,964,637)	(429,903,049)

Item	Bank				
	Year ended 31 December 2013				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
I. Operating income	6,668,758	2,438,281	1,206,766	226,454	10,540,259
Net interest income	6,536,698	2,009,652	657,813	-	9,204,163
Of which: external net interest income	8,488,086	(4,430,176)	5,146,253	-	9,204,163
internal net interest income	(1,951,388)	6,439,828	(4,488,440)	-	-
Net fee and commission income	132,060	428,629	97,016	170,458	828,163
Investment income	-	-	454,925	11,597	466,522
Gains / (losses) from changes in fair value	-	-	(2,988)	-	(2,988)
Exchange gains	-	-	-	24,133	24,133
Other operating income	-	-	-	20,266	20,266
II. Operating expense	(2,808,703)	(1,374,207)	(385,067)	(1,018,934)	(5,586,911)
Business taxes and levies	(300,186)	(299,871)	(112,999)	-	(713,056)
General and administrative expenses	(2,004,891)	(1,021,940)	(272,068)	(729,515)	(4,028,414)
Impairment losses reversed / (charged)	(503,626)	(52,396)	-	(277,648)	(833,670)
Other operating expense	-	-	-	(11,771)	(11,771)
III. Operating income	3,860,055	1,064,074	821,699	(792,480)	4,953,348
Add: non-operating income	-	-	-	93,793	93,793
Less: non-operating expenses	-	-	-	(12,233)	(12,233)
Profit before tax	3,860,055	1,064,074	821,699	(710,920)	5,034,908
Total assets	193,229,843	22,027,729	92,433,808	98,793,220	406,484,600
Total liabilities	(171,544,181)	(168,988,820)	(30,165,787)	(3,958,773)	(374,657,561)

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 Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Board of Directors provides strategy for overall risk management. The Risk Management Committee establishes related risk management policies and procedures under the strategy approved by the Board. The risk management is executed by the senior management in the Group by carrying out the risk management strategy and policies, establishing risk management systems and procedures covering all businesses and management cycles.

The Risk Management Department takes the lead in overall risk management of the Group. It is in charge of the daily operation of risk management system so as to ensure the consistency and effectiveness of the overall risk management. It also compiles or arranges to compile relevant policies, regulations, process, standards of risk control and detailed operating rules, and submit them to senior management and Board of Directors for approval. Furthermore, it analyses, inspects and evaluates the execution of the relevant policies. All operation departments and branches are the frontier of risk management and are responsible for their risk management.

The Group is mostly exposed to credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

2.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty may fail to discharge an obligation, resulting in financial losses to the Group. Significant changes in the economy, or in a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. If the counterparties of the transaction are focused on the same industries or geographic region, the credit risk increases. Credit exposures arise principally in Loans and advances to customers, debt securities and due from Groups and other financial institutions. There is also credit risk in off-balance-sheet financial arrangements such as loan commitments. The majority of the Group's operation is located within Shanghai, the PRC. This represents a concentration of credit risk, through which the Group is exposed to the general economic conditions in this area. Management closely monitors its exposure to credit risk. The Group set up Risk Management Department, Facility Authorisation Department and Asset Monitoring Department, which are respectively in charge of the establishment of relevant policies, inspection and approval of facility, and the ongoing credit monitoring.

The head office assigns risk chief officers to branches directly, who are responsible for facility authorisation and approval, so as to support the marketing and control of overall risk of the branch. In addition, the Group exerts its strength to set up facility database and customer analysis platform so as to provide technical support to credit risk management.

The Risk Management Department of the head office is in charge of the Bank's overall credit risk (including loans, securities and placements with other banks) and report to the senior management of the Bank on a timely basis.

2.2.1 Credit risk assessment

(1) Loans and advances to customers and off-balance-sheet commitments

The Group uses a five-grade classification system to manage the quality of its loan portfolio. Such classification system is based on "the Guidance on Credit Risk Classification" ("the Guidance") issued by CBRC. Under the Group's own system and the CBRC guidance, the Group classifies its credit assets and off-balance sheet credit exposures into five categories, which are namely pass, special mention, substandard, doubtful and loss. The last three categories are also classified as "non-performing".

The core definition of the Group's credit asset classification is as follows:

Pass: The borrower is able to fulfil the contractual obligations, and there is no uncertainty that principal and interest can be paid on time.

Special Mention: The borrower is able to make current due payments, but there exist some potential factors that may have negative impact on the borrower's future payments.

Substandard: The borrower's repayment ability has been in doubt and its normal income cannot repay the loan principle and interest in full. Losses may be incurred by the Group, even with the enforcement of guarantees and collateral.

Doubtful: The borrower cannot repay the principal and the interest in full. Significant losses will be incurred even with the enforcement of guarantees and collateral.

Loss: After taking into consideration all possible recovery actions and necessary legal procedures, the principal and interest are unable to be collected, or only a very small portion of principal and interest can be collected.

(2) Debt securities

The Group manages bond and other bill's credit risks through limiting investment bond's credit rating. For foreign currency securities, only those with ratings (by Standard & Poor or equivalent agencies) equivalent to or higher than A- can be invested. Investments in RMB debt securities are limited to government bonds, bills issued by PBOC, debt securities issued by the State's policy Banks and other RMB bonds and short term commercial papers with credit rating equivalent to or above A- assigned by rating agencies recognised by PBOC. In addition, the Group continuously monitors the changes of the issuers' credit rating.

(3) Placements with banks and other financial institutions

The Group manages the credit quality of due from and placements with banks and other financial institutions considering the size, financial position and the external credit rating of the banks and financial institutions. The Head Office monitors and reviews the credit risk of due from and placements with banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties.

(4) Wealth management products, trusts and asset management plans

The Bank has a regular review and management on the credit risk of the financial institutions who issue wealth management products and sets credit limit accordingly.

The Bank implements the scoring system to the trust companies who issues trust schemes. The bank sets the business line according to the scores and reviews the valuation tables provided by the trust companies on a regular basis.

The Bank sets credit limit to those institutions who issue asset management plans. It is required that the external credit rating of the underlying investments is ranked A and above. The bank will keep a continuous update on the credit rating changes of investees within each investment.

2.2.2 Risk limit control and mitigation measures

The Group manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and Groups, and to industries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risks accepted in relation to single borrower, or Groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are as follows:

(1) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral, which is common practice. The Group implements guidelines on the acceptance of specific classes of collateral. The principal of types of collateral for loans and advances to customers are as follows:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Value of collaterals is usually required to be assessed by professional evaluator designated by the Group. To mitigate the credit risk, the Group sets limit on the loan-to-value ratio for different types of collateral. The principal collateral types for corporate loans and individual loans are as follows:

Collateral	Maximum loan-to-value ratio (%)
Time deposit	90.00
PRC treasury bonds	90.00
Commercial building and factory	70.00
Housing and land use rights	70.00

The Group will evaluate the financial condition, credit history and ability to meet obligations of the guarantor on regular basis.

Collateral held as security for financial assets other than Loans and advances to customers is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(2) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, letters of credit and acceptances, which represent irrevocable assurances that the Group will make payments in event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In addition, the Group issues credit commitments to customers. In some cases, such as those situations where the amount of credit commitment exceeds the original credit limit, guarantee deposits are received by the Group to lessen the credit risks related to certain of these commitments provided by the Group. The Group's potential amount of credit risk is equivalent to the total amount of credit commitments.

2.2.3 Impairment and provision policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date where there is objective evidence of impairment.

The objective evidences of impairment, as detailed in the Group's accounting policies are as follows:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of Bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Downgrading below Special Mention rating

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least quarterly or more regularly when individual circumstances occur. Impairment allowances on individually significant accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis. The assessment normally encompasses valuation of collateral held (including re-confirmation of its enforceability) and the anticipated net realisable value of individual assets.

Collectively assessed impairment allowances are provided for: (1) portfolios of homogenous assets that are individually below materiality thresholds; and (2) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

2.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Credit risk exposures relating to balance sheet items:				
Cash and balances with central bank	77,687,458	74,649,584	74,286,474	71,118,805
Due from banks and other financial institutions	11,117,217	9,106,025	7,526,332	7,335,012
Placement with banks and other financial institutions	16,401,840	5,281,189	16,401,840	5,281,189
Financial assets at fair value through profit or loss	2,925,318	757,268	2,925,318	757,268
Derivative financial assets	8,580	1,870	8,580	1,870
Financial assets purchased under resale agreements	11,315,923	17,029,628	11,315,923	17,029,628
Interest receivables	1,996,355	1,717,342	1,938,245	1,680,116
Loans and advances to customers	252,017,627	223,021,018	239,756,865	213,261,360
Available-for-sale financial assets	49,531,864	28,942,924	49,381,864	28,901,869
Held-to-maturity investments	40,420,566	44,260,448	40,420,566	44,198,224
Investments classified as loans and receivables	9,791,832	5,126,444	9,791,832	5,126,444
Other financial assets	208,209	175,459	189,844	161,100
Sub-total	473,422,789	410,069,199	453,943,683	394,852,885
Credit risk exposures relating to off-balance-sheet items:				
Credit related commitments	12,555,162	5,638,236	12,555,162	5,638,236
Acceptances	5,716,508	4,398,283	5,716,508	4,398,283
Letters of guarantee	1,817,922	1,385,851	1,817,922	1,385,851
Letters of credit	1,261,790	1,943,169	1,261,790	1,943,169
Sub-total	21,351,382	13,365,539	21,351,382	13,365,539
Total	494,774,171	423,434,738	475,295,065	408,218,424

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2014 and 2013, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

2.2.5 Due from banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Neither past due nor impaired	38,834,980	31,416,842	35,244,095	29,645,829

2.2.6 Loans and advances to customers

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Neither past due nor impaired	254,718,323	224,859,068	242,156,347	214,866,246
Past due but not impaired	1,026,467	1,165,569	915,978	1,161,259
Individually impaired	3,306,883	2,944,457	3,248,612	2,924,821
Gross	259,051,673	228,969,094	246,320,937	218,952,326
Less: impairment losses	(7,034,046)	(5,948,076)	(6,564,072)	(5,690,966)
Net	252,017,627	223,021,018	239,756,865	213,261,360

(a) Loans and advances to customers neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the five-grade classification system adopted by the Group.

Item	Group					
	As at 31 December 2014			As at 31 December 2013		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	218,250,937	31,966,532	250,217,469	196,698,436	24,024,317	220,722,753
Special mention	4,474,496	26,358	4,500,854	4,121,110	15,205	4,136,315
Total	222,725,433	31,992,890	254,718,323	200,819,546	24,039,522	224,859,068

Item	Bank					
	As at 31 December 2014			As at 31 December 2013		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	210,814,124	26,951,162	237,765,286	190,872,675	19,894,461	210,767,136
Special mention	4,391,061	-	4,391,061	4,099,110	-	4,099,110
Total	215,205,185	26,951,162	242,156,347	194,971,785	19,894,461	214,866,246

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

Item	Group				
	As at 31 December 2014				
	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total
Corporate	172,446	233,645	66,245	216,042	688,378
Individual	221,232	51,429	39,444	25,984	338,089
Total	393,678	285,074	105,689	242,026	1,026,467

Item	Group				
	As at 31 December 2013				
	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total
Corporate	423,702	32,040	31,804	391,728	879,274
Individual	193,804	71,535	20,540	416	286,295
Total	617,506	103,575	52,344	392,144	1,165,569

Item	Bank				
	As at 31 December 2014				
	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total
Corporate	157,361	212,328	54,137	192,947	616,773
Individual	214,781	50,815	33,313	296	299,205
Total	372,142	263,143	87,450	193,243	915,978

Group					
As at 31 December 2013					
Item	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total
Corporate	422,882	31,254	31,804	391,728	877,668
Individual	193,804	69,247	20,540	-	283,591
Total	616,686	100,501	52,344	391,728	1,161,259

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 individually impaired

Item	Group		Bank	
	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Corporate	2,946,996	2,620,711	2,896,146	2,605,150
Individual	359,887	323,746	352,466	319,671
Total	3,306,883	2,944,457	3,248,612	2,924,821

(d) Loans and advances to customers renegotiated

Renegotiated 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 2014, the renegotiated loans held by the Group amounted to RMB 89,000 thousand (As at 31 December 2013: RMB 90,000 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 2014					
Item	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Total
AAA- to AAA+	209,693	9,691,615	7,530,657	-	17,431,965
AA- to AA+	-	4,573,625	716,927	-	5,290,552
A-1	558,487	302,469	-	-	860,956
Unrated:					
Treasury bonds and government bonds	373,845	7,570,417	30,689,070	111,780	38,745,112
Bonds issued by policy banks	996,578	7,582,963	1,169,686	-	9,749,227
Interbank negotiable certificates of deposit (Note 1)	786,715	2,338,070	-	-	3,124,785
Financial institutions bonds (Note 2)	-	-	314,226	-	314,226
Wealth management products issued by other banks (Note 3)	-	14,005,677	-	-	14,005,677
Trusts and asset management plans (Note 4)	-	3,467,028	-	9,680,052	13,147,080
Total	2,925,318	49,531,864	40,420,566	9,791,832	102,669,580

Item	Group				
	As at 31 December 2013				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Held-to- maturity investments	Investments classified as loans and receivables	Total
AAA- to AAA+	129,123	4,219,484	7,631,697	-	11,980,304
AA- to AA+	77,530	901,952	1,011,332	-	1,990,814
A-1	550,615	372,598	301,357	-	1,224,570
Unrated:					
Treasury bonds and government bonds	-	9,054,734	33,626,498	124,850	42,806,082
Bonds issued by policy banks	-	4,161,419	1,369,574	-	5,530,993
Interbank negotiable certificates of deposit ^(Note 1)	-	149,223	-	-	149,223
Financial institutions bonds ^(Note 2)	-	-	319,990	-	319,990
Wealth management products issued by other banks ^(Note 3)	-	7,755,850	-	-	7,755,850
Trusts and asset management plans ^(Note 4)	-	2,327,664	-	5,001,594	7,329,258
Total	757,268	28,942,924	44,260,448	5,126,444	79,087,084

Item	Bank				
	As at 31 December 2014				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Held-to- maturity investments	Investments classified as loans and receivables	Total
AAA- to AAA+	209,693	9,691,615	7,530,657	-	17,431,965
AA- to AA+	-	4,469,899	716,927	-	5,186,826
A-1	558,487	256,195	-	-	814,682
Unrated:					
Treasury bonds and government bonds	373,845	7,570,417	30,689,070	111,780	38,745,112
Bonds issued by policy banks	996,578	7,582,963	1,169,686	-	9,749,227
Interbank negotiable certificates of deposit ^(Note 1)	786,715	2,338,070	-	-	3,124,785
Financial institutions bonds ^(Note 2)	-	-	314,226	-	314,226
Wealth management products issued by other banks ^(Note 3)	-	14,005,677	-	-	14,005,677
Trusts and asset management plans ^(Note 4)	-	3,467,028	-	9,680,052	13,147,080
Total	2,925,318	49,381,864	40,420,566	9,791,832	102,519,580

Item	Bank				
	As at 31 December 2013				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Held-to- maturity investments	Investments classified as loans and receivables	Total
AAA- to AAA+	129,123	4,178,429	7,611,062	-	11,918,614
AA- to AA+	77,530	901,952	969,743	-	1,949,225
A-1	550,615	372,598	301,357	-	1,224,570
Unrated:					
Treasury bonds and government bonds	-	9,054,734	33,626,498	124,850	42,806,082
Bonds issued by policy banks	-	4,161,419	1,369,574	-	5,530,993
Interbank negotiable certificates of deposit ^(Note 1)	-	149,223	-	-	149,223
Financial institutions bonds ^(Note 2)	-	-	319,990	-	319,990
Wealth management products issued by other banks ^(Note 3)	-	7,755,850	-	-	7,755,850
Trusts and asset management plans ^(Note 4)	-	2,327,664	-	5,001,594	7,329,258
Total	757,268	28,901,869	44,198,224	5,126,444	78,983,805

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 for listed insurance companies and bonds issued by the central Huijin company.

Note 3: The wealth management products purchased from other banks are mainly invested in fixed income bonds and currency market financial products issued by the domestic policy banks, state-owned and joint-stock commercial banks.

Note 4: As at 31 December 2014, RMB5,600,000 thousand in these trust plans will be, in accordance with the relevant agreement purchased by domestic commercial banks with the balance of outstanding principal and interest receivable when the product reaches maturity or trust loan defaults (As at 31 December 2013: RMB4,550,000 thousand). Others include standardised creditor's rights assets rated in A+ and above, money market instruments and trust loans rated as pass in accordance with the definition of the CBRC "loan risk classification guidance".

2.3 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity price and equity prices.

The Group separates exposures to market risk into either trading or non-trading portfolios. The trading portfolio consists of positions in financial instruments held with trading intent with customers or other participants in the market. The non-trading portfolio consists of interest rate risk management of assets and liabilities, and foreign currency and equity prices risk of financial instruments which are held to maturity and available for sale.

The Group set up detailed operating rules of market risk management and rules of market pressure test. The Internal Control Management Committee takes the role of market risk management of the senior management. The Risk Management Department takes the lead role and responsibility of market risk management, recognises, measures, monitors and controls the market risk of non-trading accounts in the Group. The departments bearing market risk take the responsibilities of applying the policy and follow the standard procedure of the Group, coordinating with the Risk Management Department, reporting market risk and the execution of standard procedure, as well as applying decisions made by the Asset and Liability Management Committee. Furthermore, the Group applied new asset and liability information system so as to improve market risk management.

2.3.1 Measurement

The Group uses sensitivity analysis, scenario analysis and pressure test to assess investment portfolio risk that exposures to the movement of interest rate and exchange rate. The group also uses different scenarios by changing interest rate and exchange rate to assess its impact on the fair value of the investment portfolio and the group scenarios by changing interest rate and exchange rate to assess its impact on the fair value of the investment portfolio and the market risk reporting rule.

2.3.2 Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of exchange rate on its financial position and cash flows.

The Group's principle in controlling exchange rate risk is to match its assets and liabilities in each currency and to maintain exchange rate risk within established limits. The Group has set risk limits according to the guidelines established by the Internal Control Management Committee, the relevant regulatory requirements, and management's assessment of the current market condition. The Group also manages its foreign capital sources and usage of foreign currencies to minimise potential currency mismatches.

The table below summarised the Group's exposure to foreign currency exchange rate risk at the end of each reporting period. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorised by the original currency:

Item	Group			
	As at 31 December 2014			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	77,536,465	120,940	30,053	77,687,458
Due from banks and other financial institutions	10,785,571	257,423	74,223	11,117,217
Placements with banks and other financial institutions	15,240,000	1,132,015	29,825	16,401,840
Financial assets at fair value through profit or loss	2,925,318	-	-	2,925,318
Financial assets purchased under resale agreements	11,315,923	-	-	11,315,923
Loans and advances to customers	250,796,305	1,211,303	10,019	252,017,627
Available-for-sale financial assets	51,385,908	-	-	51,385,908
Held-to-maturity investments	40,420,566	-	-	40,420,566
Investments classified as loans and receivables	9,791,832	-	-	9,791,832
Other assets	12,222,484	15,420	1,588	12,239,492
Total assets	482,420,372	2,737,101	145,708	485,303,181
Liabilities				
Borrowings from central bank	(2,169,000)	-	-	(2,169,000)
Due to banks and other financial institutions	(9,143,665)	(2,298)	-	(9,145,963)
Placements from banks and other financial institutions	-	(1,902,868)	-	(1,902,868)
Financial assets sold under repurchase agreements	(18,569,533)	-	-	(18,569,533)
Due to customers	(393,432,144)	(1,928,140)	(147,267)	(395,507,551)
Debt securities issued	(7,955,158)	-	-	(7,955,158)
Other liabilities	(11,865,257)	(10,460)	(33,880)	(11,909,597)
Total liabilities	(443,134,757)	(3,843,766)	(181,147)	(447,159,670)
Net position	39,285,615	(1,106,665)	(35,439)	38,143,511
Financial guarantee and credit-related commitments	19,621,417	1,695,687	34,278	21,351,382

Item	Group			
	As at 31 December 2013			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	74,514,354	100,305	34,925	74,649,584
Due from banks and other financial institutions	8,694,435	290,375	121,215	9,106,025
Placements with banks and other financial institutions	3,700,000	1,463,254	117,935	5,281,189
Financial assets at fair value through profit or loss	757,268	-	-	757,268
Financial assets purchased under resale agreements	17,029,628	-	-	17,029,628
Loans and advances to customer	221,266,023	1,659,147	95,848	223,021,018
Available-for-sale financial assets	30,280,050	-	-	30,280,050
Held-to-maturity investments	44,260,448	-	-	44,260,448
Investments classified as loans and receivables	5,126,444	-	-	5,126,444
Other assets	11,365,620	10,634	4,401	11,380,655
Total assets	416,994,270	3,523,715	374,324	420,892,309
Liabilities				
Borrowings from central bank	(1,149,000)	-	-	(1,149,000)
Due to banks and other financial institutions	(8,813,594)	(106,204)	-	(8,919,798)
Placements from banks and other financial institutions	(1,000,422)	(957,986)	(86,238)	(2,044,646)
Financial assets sold under repurchase agreements	(8,485,052)	-	-	(8,485,052)
Due to customers	(349,460,129)	(1,734,920)	(247,355)	(351,442,404)
Debt securities issued	(6,500,000)	-	-	(6,500,000)
Other liabilities	(8,964,460)	(357,053)	(41,280)	(9,362,793)
Total liabilities	(384,372,657)	(3,156,163)	(374,873)	(387,903,693)
Net position	32,621,613	367,552	(549)	32,988,616
Financial guarantee and credit-related commitments	11,825,512	1,519,951	20,076	13,365,539

Item	Bank			
	As at 31 December 2014			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	74,135,481	120,940	30,053	74,286,474
Due from banks and other financial institutions	7,194,686	257,423	74,223	7,526,332
Placements with banks and other financial institutions	15,240,000	1,132,015	29,825	16,401,840
Financial assets at fair value through profit or loss	2,925,318	-	-	2,925,318
Financial assets purchased under resale agreements	11,315,923	-	-	11,315,923
Loans and advances to customers	238,535,543	1,211,303	10,019	239,756,865
Available-for-sale financial assets	51,235,908	-	-	51,235,908
Held-to-maturity investments	40,420,566	-	-	40,420,566
Investments classified as loans and receivables	9,791,832	-	-	9,791,832
Other assets	12,930,797	9,021	65	12,939,883
Total assets	463,726,054	2,730,702	144,185	466,600,941
Liabilities				
Borrowings from central bank	(500,000)	-	-	(500,000)
Due to banks and other financial institutions	(14,386,691)	(2,298)	-	(14,388,989)
Placements from banks and other financial institutions	-	(1,902,868)	-	(1,902,868)
Financial assets sold under repurchase agreements	(18,569,533)	-	-	(18,569,533)
Due to customers	(372,878,618)	(1,928,140)	(147,267)	(374,954,025)
Debt securities issued	(7,955,158)	-	-	(7,955,158)
Other liabilities	(11,574,626)	(12,440)	(45,410)	(11,632,476)
Total liabilities	(425,864,626)	(3,845,746)	(192,677)	(429,903,049)
Net position	37,861,428	(1,115,044)	(48,492)	36,697,892
Financial guarantee and credit-related commitments	19,621,417	1,695,687	34,278	21,351,382

Item	Bank			
	As at 31 December 2013			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	70,983,575	100,305	34,925	71,118,805
Due from banks and other financial institutions	6,923,422	290,375	121,215	7,335,012
Placements with banks and other financial institutions	3,700,000	1,463,254	117,935	5,281,189
Financial assets at fair value through profit or loss	757,268	-	-	757,268
Financial assets purchased under resale agreements	17,029,628	-	-	17,029,628
Loans and advances to customers	211,506,365	1,659,147	95,848	213,261,360
Available-for-sale financial assets	30,238,995	-	-	30,238,995
Held-to-maturity investments	44,198,224	-	-	44,198,224
Investments classified as loans and receivables	5,126,444	-	-	5,126,444
Other assets	12,122,640	10,634	4,401	12,137,675
Total assets	402,586,561	3,523,715	374,324	406,484,600
Liabilities				
Due to banks and other financial institutions	(13,152,692)	(106,204)	-	(13,258,896)
Placements from banks and other financial institutions	(1,000,422)	(957,986)	(86,238)	(2,044,646)
Financial assets sold under repurchase agreements	(8,485,052)	-	-	(8,485,052)
Due to customers	(333,174,714)	(1,734,920)	(247,355)	(335,156,989)
Debt securities issued	(6,500,000)	-	-	(6,500,000)
Other liabilities	(8,813,645)	(357,053)	(41,280)	(9,211,978)
Total liabilities	(371,126,525)	(3,156,163)	(374,873)	(374,657,561)
Net position	31,460,036	367,552	(549)	31,827,039
Financial guarantee and credit-related commitments	11,825,512	1,519,951	20,076	13,365,539

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 2014	Year ended 31 December 2013
5% appreciation of RMB	(43,069)	18,351
5% depreciation of RMB	43,069	(18,351)

The Group makes following assumptions in performing the above analysis:

- There are no significant changes to the Group's business operations after balance sheet date;
- Customers' reactions to the exchange rate movements are not considered;
- Impact on the marketing prices of assets and liabilities is not considered; and
- The necessary actions to be taken by the Group in response to exchange rate movements are not considered.

Due to these limitations of the Group's approach, actual impact on the Group's net income from exchange rate fluctuation may vary from the analysis above.

2.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. The Group operates its business predominantly in mainland China under the interest rate scheme regulated by the PBOC. PBOC has historically adjusted its benchmark interest rates for loans and deposits in the same direction and at the same time (though not necessarily by the same increment).

According to the regulations of PBOC, the floor of 30% below the corresponding PBOC benchmark interest rates is cancelled. The Group determines the loan interest rates independently. Interest rates for discounted bills are market driven. However, such interest rates cannot be set below the PBOC interest rate for re-discounted bills. Interest rate of customer deposit can be set with a ceiling of 20% above the PBOC benchmark interest rate.

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 table below summarises the Group's exposures to interest rate risks. The table presents 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 2014					
	Up to 3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	
Assets						
Cash and balances with central bank	75,050,920	-	-	-	2,636,538	77,687,458
Due from banks and other financial institutions	8,124,972	2,992,245	-	-	-	11,117,217
Placements with banks and other financial institutions	4,661,840	11,740,000	-	-	-	16,401,840
Financial assets at fair value through profit or loss	843,411	831,489	514,012	736,406	-	2,925,318
Financial assets purchased under resale agreements	10,328,375	987,548	-	-	-	11,315,923
Loans and advances to customers	67,456,705	180,345,580	1,563,953	2,651,389	-	252,017,627
Available-for-sale financial assets	9,832,211	19,507,855	16,101,055	4,090,743	1,854,044	51,385,908
Held-to-maturity investments	630,281	4,153,568	23,372,841	12,263,876	-	40,420,566
Investments classified as loans and receivables	2,327,558	5,112,784	2,351,490	-	-	9,791,832
Other assets	-	-	-	-	12,239,492	12,239,492
Total assets	179,256,273	225,671,069	43,903,351	19,742,414	16,730,074	485,303,181
Liabilities						
Borrowings from central bank	(795,000)	(1,374,000)	-	-	-	(2,169,000)
Due to banks and other financial institutions	(9,145,963)	-	-	-	-	(9,145,963)
Placements with banks and other financial institutions	(1,830,519)	(72,349)	-	-	-	(1,902,868)
Financial assets sold under repurchase agreements	(18,522,121)	(47,412)	-	-	-	(18,569,533)
Due to customers	(232,150,221)	(82,941,496)	(80,415,111)	(723)	-	(395,507,551)
Debt securities issued	(1,975,837)	(5,979,321)	-	-	-	(7,955,158)
Other liabilities	-	-	-	-	(11,909,597)	(11,909,597)
Total liabilities	(264,419,661)	(90,414,578)	(80,415,111)	(723)	(11,909,597)	(447,159,670)
Total interest sensitivity gap	(85,163,388)	135,256,491	(36,511,760)	19,741,691	4,820,477	38,143,511

Item	Group					
	As at 31 December 2013					
	Up to 3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central bank	72,422,414	-	-	-	2,227,170	74,649,584
Due from banks and other financial institutions	4,225,945	4,754,280	110,000	-	15,800	9,106,025
Placements with banks and other financial institutions	3,231,189	2,050,000	-	-	-	5,281,189
Financial assets at fair value through profit or loss	430,895	248,843	77,530	-	-	757,268
Financial assets purchased under resale agreements	14,599,969	2,429,659	-	-	-	17,029,628
Loans and advances to customers	88,889,736	130,669,444	3,324,158	137,680	-	223,021,018
Available-for-sale financial assets	7,674,373	7,714,650	11,200,540	2,353,361	1,325,288	30,268,212
Held-to-maturity investments	2,241,996	3,580,668	23,236,583	15,201,201	-	44,260,448
Investments classified as loans and receivables	11,632	492,013	4,622,799	-	-	5,126,444
Other assets	-	-	-	-	11,392,493	11,392,493
Total assets	193,728,149	151,939,557	42,571,610	17,692,242	14,960,751	420,892,309
Liabilities						
Borrowings from central bank	(620,000)	(529,000)	-	-	-	(1,149,000)
Due to banks and other financial institutions	(7,587,798)	(1,222,000)	(110,000)	-	-	(8,919,798)
Placements from banks and other financial institutions	(1,941,446)	(103,200)	-	-	-	(2,044,646)
Financial assets sold under repurchase agreements	(8,485,052)	-	-	-	-	(8,485,052)
Due to customers	(208,812,257)	(79,947,657)	(62,643,014)	-	(39,476)	(351,442,404)
Debt securities issued	-	(1,500,000)	(5,000,000)	-	-	(6,500,000)
Other liabilities	-	-	-	-	(9,362,793)	(9,362,793)
Total liabilities	(227,446,553)	(83,301,857)	(67,753,014)	-	(9,402,269)	(387,903,693)
Total interest sensitivity gap	(33,718,404)	68,637,700	(25,181,404)	17,692,242	5,558,482	32,988,616

Item	Bank					
	As at 31 December 2014					
	Up to 3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central bank	71,743,955	-	-	-	2,542,519	74,286,474
Due from banks and other financial institutions	4,808,087	2,718,245	-	-	-	7,526,332
Placements with banks and other financial institutions	4,661,840	11,740,000	-	-	-	16,401,840
Financial assets at fair value through profit or loss	843,411	831,489	514,012	736,406	-	2,925,318
Financial assets purchased under resale agreements	10,328,375	987,548	-	-	-	11,315,923
Loans and advances to customers	58,892,161	177,928,571	978,711	1,957,422	-	239,756,865
Available-for-sale financial assets	9,832,211	19,456,764	16,002,146	4,090,743	1,854,044	51,235,908
Held-to-maturity investments	630,281	4,153,568	23,372,841	12,263,876	-	40,420,566
Investments classified as loans and receivables	2,327,558	5,112,784	2,351,490	-	-	9,791,832
Other assets	-	-	-	-	12,939,883	12,939,883
Total assets	164,067,879	222,928,969	43,219,200	19,048,447	17,336,446	466,600,941
Liabilities						
Borrowings from central bank	-	(500,000)	-	-	-	(500,000)
Due to banks and other financial institutions	(13,718,989)	(670,000)	-	-	-	(14,388,989)
Placements from banks and other financial institutions	(1,830,519)	(72,349)	-	-	-	(1,902,868)
Financial assets sold under repurchase agreements	(18,522,121)	(47,412)	-	-	-	(18,569,533)
Due to customers	(215,725,994)	(79,738,266)	(79,489,042)	(723)	-	(374,954,025)
Debt securities issued	(1,975,837)	(5,979,321)	-	-	-	(7,955,158)
Other liabilities	-	-	-	-	(11,632,476)	(11,632,476)
Total liabilities	(251,773,460)	(87,007,348)	(79,489,042)	(723)	(11,632,476)	(429,903,049)
Total interest sensitivity gap	(87,705,581)	135,921,621	(36,269,842)	19,047,724	5,703,970	36,697,892

Item	Bank					
	As at 31 December 2013					Total
	Up to 3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	
Assets						
Cash and balances with central bank	68,972,518	-	-	-	2,146,287	71,118,805
Due from banks and other financial institutions	3,709,212	3,610,000	-	-	15,800	7,335,012
Placements with banks and other financial institutions	3,231,189	2,050,000	-	-	-	5,281,189
Financial assets at fair value through profit or loss	430,895	248,843	77,530	-	-	757,268
Financial assets purchased under resale agreements	14,599,969	2,429,659	-	-	-	17,029,628
Loans and advances to customers	87,025,146	122,972,288	3,133,471	130,455	-	213,261,360
Available-for-sale financial assets	7,633,318	7,714,650	11,200,540	2,353,361	1,325,288	30,227,157
Held-to-maturity investments	2,221,361	3,580,668	23,236,583	15,159,612	-	44,198,224
Investments classified as loans and receivables	11,632	492,013	4,622,799	-	-	5,126,444
Other assets	-	-	-	-	12,149,513	12,149,513
Total assets	187,835,240	143,098,121	42,270,923	17,643,428	15,636,888	406,484,600
Liabilities						
Due to banks and other financial institutions	(12,076,896)	(1,072,000)	(110,000)	-	-	(13,258,896)
Placements from banks and other financial institutions	(1,941,446)	(103,200)	-	-	-	(2,044,646)
Financial assets sold under repurchase agreements	(8,485,052)	-	-	-	-	(8,485,052)
Due to customers	(196,182,945)	(77,069,828)	(61,904,216)	-	-	(335,156,989)
Debt securities issued	-	(1,500,000)	(5,000,000)	-	-	(6,500,000)
Other liabilities	-	-	-	-	(9,211,978)	(9,211,978)
Total liabilities	(218,686,339)	(79,745,028)	(67,014,216)		(9,211,978)	(374,657,561)
Total interest sensitivity gap	(30,851,099)	63,353,093	(24,743,293)	17,643,428	6,424,910	31,827,039

The table below illustrates the impact of coming year net interest income of the Group at 31 December 2014 and 2013 by the parallel shift of 100 basis point of interest rate structure of interest bearing assets and liabilities.

Item	Group		Bank	
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
+100 basis points parallel shift in all yield curves	844,913	918,482	830,101	922,435
-100 basis points parallel shift in all yield curves	(844,913)	(918,482)	(830,101)	(922,435)

In performing the above analysis, the Group has made following assumptions:

- There are no significant changes in business operations after balance sheet date;
- The impacts on different assets and liabilities are 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 from interest rate movement on market prices of assets and liabilities are not considered;
- Impact from 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 movements are not considered.

Due to these limitations to the Group's approach, actual impact from interest rate fluctuation may vary from the analysis above.

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 IX.1)

In addition, the Group limits its loan to deposit ratio at below 75% as required by the PBOC.

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 set up detailed operating rules for liquidity risk management and rules for liquidity pressure test, and applied new asset and liability information system so as to improve liquidity risk management. The Asset and Liability Management Committee is in charge of liquidity risk management of the senior management. The Planning and Finance Department takes the lead role and responsibility of liquidity risk management. Its daily work includes forecast management of big amount, excess reserves management, calculation, monitoring, and control of liquidity ratios, matching assets with liabilities, and liquidity emergency management and pressure test.

2.4.1 Non-derivative financial instruments cash flows

The table below presents 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 table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Group							
	As at 31 December 2014							
Item	Overdue/ undated	On demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Financial assets								
Cash and balances with central bank	68,331,977	9,387,161	-	-	-	-	-	77,719,138
Due from banks and other financial institutions	-	2,252,499	3,017,855	2,870,010	3,069,967	-	-	11,210,331
Placements with banks and other financial institutions	-	-	1,701,956	3,118,646	12,159,534	-	-	16,980,136
Financial assets at fair value through profit or loss	-	-	98,935	760,582	909,893	712,195	788,011	3,269,616
Financial assets purchased under resale agreements	-	-	8,033,296	2,316,860	998,400	-	-	11,348,556
Loans and advances to customers	4,056,760	-	11,146,677	19,598,648	89,024,613	128,165,211	38,096,616	290,088,525
Available-for-sale financial assets	1,854,044	-	1,098,594	5,876,791	20,774,238	21,966,130	5,656,205	57,226,002
Held-to-maturity investments	-	-	70,423	731,777	5,259,438	28,007,518	13,292,835	47,361,991
Investments classified as loans and receivables	-	-	2,300,507	215,633	5,506,935	2,425,998	-	10,449,073
Other financial assets	-	-	164,815	-	-	-	-	164,815
Total financial assets (contractual maturity dates)	74,242,781	11,639,660	27,633,058	35,488,947	137,703,018	181,277,052	57,833,667	525,818,183
Financial liabilities								
Borrowings from central bank	-	-	-	(105,979)	(1,252,383)	(871,971)	-	(2,230,333)
Due to banks and other financial institutions	-	(352,428)	(3,522,154)	(5,274,446)	-	-	-	(9,149,028)
Placements from banks and other financial institutions	-	-	(358,763)	(1,477,015)	(72,908)	-	-	(1,908,686)
Financial assets sold under repurchase agreements	-	-	(18,432,008)	(134,667)	(47,735)	-	-	(18,614,410)
Due to customers	-	(161,150,343)	(35,612,501)	(39,026,336)	(85,773,282)	(92,104,865)	(90,606)	(413,757,933)
Debt securities issued	-	-	-	(2,000,000)	(6,220,000)	-	-	(8,220,000)
Other financial liabilities	-	-	(634,822)	-	-	-	-	(634,822)
Total financial liabilities (contractual maturity dates)	-	(161,502,771)	(58,560,248)	(48,018,443)	(93,366,308)	(92,976,836)	(90,606)	(454,515,212)
Net position	74,242,781	(149,863,111)	(30,927,190)	(12,529,496)	44,336,710	88,300,216	57,743,061	71,302,971

Item	Group							
	As at 31 December 2013							
	Overdue/ undated	On demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Financial assets								
Cash and balances with central bank	61,022,380	13,627,431	-	-	-	-	-	74,649,811
Due from banks and other financial institutions	-	1,833,200	372,401	1,840,817	4,952,782	124,347	-	9,123,547
Placements with banks and other financial institutions	-	-	2,756,549	480,954	2,126,698	-	-	5,364,201
Financial assets at fair value through profit or loss	-	-	86,525	363,482	264,917	97,600	-	812,524
Financial assets purchased under resale agreements	-	-	10,443,936	4,381,893	2,531,613	-	-	17,357,442
Loans and advances to customers	4,095,705	-	19,929,793	32,684,330	96,979,238	80,610,064	33,097,323	267,396,453
Available-for-sale financial assets	1,337,126	-	452,709	4,889,690	8,566,752	16,492,479	2,586,995	34,325,751
Held-to-maturity investments	-	-	154,679	2,318,640	4,757,144	27,886,278	17,393,592	52,510,333
Investments classified as loans and receivables	-	-	8,438	86,843	762,205	4,978,223	-	5,835,709
Other financial assets	-	-	113,027	-	-	-	-	113,027
Total financial assets (contractual maturity dates)	66,455,211	15,460,631	34,318,057	47,046,649	120,941,349	130,188,991	53,077,910	467,488,798
Financial liabilities								
Borrowings from central bank	-	-	(8,000)	(647,125)	(527,029)	-	-	(1,182,154)
Due to banks and other financial institutions	-	(351,712)	(1,423,564)	(5,957,726)	(1,273,080)	(124,347)	-	(9,130,429)
Placements from banks and other financial institutions	-	-	(1,314,985)	(631,787)	(103,200)	-	-	(2,049,972)
Financial assets sold under repurchase agreements	-	-	(5,050,366)	(3,462,062)	-	-	-	(8,512,428)
Due to customers	-	(148,108,287)	(28,701,605)	(34,412,596)	(83,886,078)	(72,265,766)	-	(367,374,332)
Debt securities issued	-	-	-	-	(1,799,500)	(5,220,000)	-	(7,019,500)
Other financial liabilities	-	-	(277,597)	-	-	-	-	(277,597)
Total financial liabilities (contractual maturity dates)	-	(148,459,999)	(36,776,117)	(45,111,296)	(87,588,887)	(77,610,113)	-	(395,546,412)
Net position	66,455,211	(132,999,368)	(2,458,060)	1,935,353	33,352,462	52,578,878	53,077,910	71,942,386

Bank								
As at 31 December 2014								
Item	Overdue/ undated	On demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Financial assets								
Cash and balances with central bank	65,816,708	8,501,446	-	-	-	-	-	74,318,154
Due from banks and other financial institutions	-	1,448,087	824,346	2,623,753	2,785,624	-	-	7,681,810
Placements with banks and other financial institutions	-	-	1,701,956	3,118,646	12,159,534	-	-	16,980,136
Financial assets at fair value through profit or loss	-	-	98,935	760,582	909,893	712,195	788,011	3,269,616
Financial assets purchased under resale agreements	-	-	8,033,296	2,316,860	998,400	-	-	11,348,556
Loans and advances to customers	3,921,015	-	10,289,528	18,624,265	83,197,686	124,801,880	34,799,999	275,634,373
Available-for-sale financial assets	1,854,044	-	1,098,594	5,873,299	20,718,639	21,861,999	5,656,205	57,062,780
Held-to-maturity investments	-	-	70,423	731,777	5,259,438	28,007,518	13,292,835	47,361,991
Investments classified as loans and receivables	-	-	2,300,507	215,633	5,506,935	2,425,998	-	10,449,073
Other financial assets	-	-	146,606	-	-	-	-	146,606
Total financial assets (contractual maturity dates)	71,591,767	9,949,533	24,564,191	34,264,815	131,536,149	177,809,590	54,537,050	504,253,095
Financial liabilities								
Borrowings from central bank	-	-	-	(520,000)	-	-	-	(520,000)
Due to banks and other financial institutions	-	(1,999,168)	(3,773,320)	(8,049,080)	(711,044)	-	-	(14,532,612)
Placements from banks and other financial institutions	-	-	(358,763)	(1,477,015)	(72,908)	-	-	(1,908,686)
Financial assets sold under repurchase agreements	-	-	(18,432,008)	(134,667)	(47,735)	-	-	(18,614,410)
Due to customers	-	(148,128,934)	(34,781,714)	(37,302,656)	(82,805,700)	(89,954,126)	-	(392,973,130)
Debt securities issued	-	-	-	(2,000,000)	(6,220,000)	-	-	(8,220,000)
Other financial liabilities	-	-	(608,305)	-	-	-	-	(608,305)
Total financial liabilities (contractual maturity dates)	-	(150,128,102)	(57,954,110)	(49,483,418)	(89,857,387)	(89,954,126)	-	(437,377,143)
Net position	71,591,767	(140,178,569)	(33,389,919)	(15,218,603)	41,678,762	87,855,464	54,537,050	66,875,952

Item	Bank							
	As at 31 December 2013							
	Overdue/ undated	On demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Financial assets								
Cash and balances with central bank	59,076,021	12,042,784	-	-	-	-	-	71,118,805
Due from banks and other financial institutions	-	1,214,545	-	2,626,704	3,742,538	-	-	7,583,787
Placements with banks and other financial institutions	-	-	2,756,549	480,954	2,126,698	-	-	5,364,201
Financial assets at fair value through profit or loss	-	-	86,525	363,482	264,917	97,600	-	812,524
Financial assets purchased under resale agreements	-	-	10,443,936	4,381,893	2,531,613	-	-	17,357,442
Loans and advances to customers	4,068,386	-	19,299,578	31,229,453	89,925,737	79,000,196	32,975,810	256,499,160
Available-for-sale financial assets	1,337,126	-	406,773	4,889,690	8,566,752	16,492,479	2,586,995	34,279,815
Held-to-maturity investments	-	-	154,679	2,297,830	4,755,020	27,835,658	17,393,592	52,436,779
Investments classified as loans and receivables	-	-	8,438	86,843	762,205	4,978,223	-	5,835,709
Other financial assets	-	-	102,526	-	-	-	-	102,526
Total financial assets (contractual maturity dates)	64,481,533	13,257,329	33,259,004	46,356,849	112,675,480	128,404,156	52,956,397	451,390,748
Financial liabilities								
Borrowings from central bank	-	(1,850,907)	(4,811,558)	(5,550,842)	(1,117,199)	(124,347)	-	(13,454,853)
Due to banks and other financial institutions	-	-	(1,314,985)	(631,787)	(103,200)	-	-	(2,049,972)
Placements from banks and other financial institutions	-	-	(5,050,366)	(3,470,015)	-	-	-	(8,520,381)
Financial assets sold under repurchase agreements	-	(137,063,851)	(28,030,552)	(33,523,041)	(80,927,196)	(71,469,811)	-	(351,014,451)
Due to customers	-	-	-	-	(1,799,500)	(5,220,000)	-	(7,019,500)
Debt securities issued	-	-	(300,330)	-	-	-	-	(300,330)
Other financial liabilities	-	(138,914,758)	(39,507,791)	(43,175,685)	(83,947,095)	(76,814,158)	-	(382,359,487)
Total financial liabilities (contractual maturity dates)	-	(138,914,758)	(39,207,461)	(43,175,685)	(83,947,095)	(76,814,158)	-	(382,059,157)
Net position	64,481,533	(125,657,429)	(6,248,787)	3,181,164	28,728,385	51,589,998	52,956,397	69,031,261

2.4.2 Off-balance-sheet items

Group				
As at 31 December 2014				
Item	Up to 1 year	1–5 years	Over 5 years	Total
Credit related commitments	3,280,530	4,908,850	4,365,782	12,555,162
Acceptances	5,716,508	-	-	5,716,508
Letters of guarantee	1,289,667	528,255	-	1,817,922
Letters of credit	1,261,790	-	-	1,261,790
Operating lease commitments	274,885	543,758	280,678	1,099,321
Capital commitments	375,860	295,922	-	671,782
Total	12,199,240	6,276,785	4,646,460	23,122,485

Group				
As at 31 December 2013				
Item	Up to 1 year	1–5 years	Over 5 years	Total
Credit related commitments	2,549,780	1,766,741	1,321,715	5,638,236
Acceptances	4,398,283	-	-	4,398,283
Letters of guarantee	1,146,027	239,824	-	1,385,851
Letters of credit	1,943,169	-	-	1,943,169
Operating lease commitments	164,760	522,285	251,036	938,081
Capital commitments	195,371	51,705	-	247,076
Total	10,397,390	2,580,555	1,572,751	14,550,696

Bank				
As at 31 December 2014				
Item	Up to 1 year	1–5 years	Over 5 years	Total
Credit related commitments	3,280,530	4,908,850	4,365,782	12,555,162
Acceptances	5,716,508	-	-	5,716,508
Letters of guarantee	1,289,667	528,255	-	1,817,922
Letters of credit	1,261,790	-	-	1,261,790
Operating lease commitments	246,223	451,975	223,837	922,035
Capital commitments	374,711	295,922	-	670,633
Total	12,169,429	6,185,002	4,589,619	22,944,050

Bank				
As at 31 December 2013				
Item	Up to 1 year	1–5 years	Over 5 years	Total
Credit related commitments	2,549,780	1,766,741	1,321,715	5,638,236
Acceptances	4,398,283	-	-	4,398,283
Letters of guarantee	1,146,027	239,824	-	1,385,851
Letters of credit	1,943,169	-	-	1,943,169
Operating lease commitments	141,198	433,547	188,623	763,368
Capital commitments	182,592	51,705	-	234,297
Total	10,361,049	2,491,817	1,510,338	14,363,204

3.1 Assets and liabilities measured at fair value on a recurring basis

3.1.1 Fair value hierarchy of assets and liabilities measured at fair value on a recurring basis

Item	Group			
	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	2,925,318	-	2,925,318
Available-for-sale financial assets				
-Debt securities	-	32,059,159	-	32,059,159
-Equity investments	1,196,913	-	645,293	1,842,206
-Trusts and asset management plans	-	-	3,467,028	3,467,028
Derivatives financial assets				
- Exchange rate derivatives	-	7,212	-	7,212
- Interest rate derivatives	-	157	-	157
- Precious metal	-	1,211	-	1,211
Total financial assets	1,196,913	34,993,057	4,112,321	40,302,291
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(6,772)	-	(6,772)
- Interest rate derivatives	-	(578)	-	(578)
- Precious metal	-	(10,324)	-	(10,324)
Total financial liabilities	-	(17,674)	-	(17,674)

Item	Group			
	As at 31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	757,268	-	757,268
Available-for-sale financial assets				
-Debt securities	-	18,859,410	-	18,859,410
-Equity investments	665,393	-	659,894	1,325,287
-Trusts and asset management plans	-	-	2,327,664	2,327,664
Derivatives financial assets				
- Exchange rate derivatives	-	1,870	-	1,870
Total financial assets	665,393	19,618,548	2,987,558	23,271,499
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(1,023)	-	(1,023)
Total financial liabilities	-	(1,023)	-	(1,023)

Item	Bank			
	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	2,925,318	-	2,925,318
Available-for-sale financial assets				
-Debt securities	-	31,909,159	-	31,909,159
-Equity investments	1,196,913	-	645,293	1,842,206
-Trusts and asset management plans	-	-	3,467,028	3,467,028
Derivatives financial assets				
- Exchange rate derivatives	-	7,212	-	7,212
- Interest rate derivatives	-	157	-	157
- Precious metal	-	1,211	-	1,211
Total financial assets	1,196,913	34,843,057	4,112,321	40,152,291
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(6,772)	-	(6,772)
- Interest rate derivatives	-	(578)	-	(578)
- Precious metal	-	(10,324)	-	(10,324)
Total financial liabilities	-	(17,674)	-	(17,674)

Item	Bank			
	As at 31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	757,268	-	757,268
Available-for-sale financial assets				
-Debt securities	-	18,818,356	-	18,818,356
-Equity investments	665,393	-	659,894	1,325,287
-Trusts and asset management plans	-	-	2,327,664	2,327,664
Derivatives financial assets				
- Exchange rate derivatives	-	1,870	-	1,870
Total financial assets	665,393	19,577,494	2,987,558	23,230,445
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(1,023)	-	(1,023)
Total financial liabilities	-	(1,023)	-	(1,023)

There were no transfer between Level 1 and 2 during the current and prior years.

3.1.2 Reconciliation of level 3 items

Item	Group and Bank		
	Available-for-sale financial assets		Total
	Equity instruments	Trusts and asset management plans	
Balance as at 1 January 2014	659,894	2,327,664	2,987,558
Total gains or losses recognised in			
- Profit of loss	-	243,231	243,231
- Other comprehensive income	-	-	-
Purchase	11,838	14,600,400	14,612,238
Disposal	(14,601)	(13,704,267)	(13,718,868)
Balance as at 31 December 2014	657,131	3,467,028	4,124,159

Item	Group and Bank		
	Available-for-sale financial assets		Total
	Equity instruments	Trusts and asset management plans	
Balance as at 1 January 2013	659,894	1,743,000	2,402,894
Total gains or losses recognised in			
- Profit of loss	-	111,158	111,158
- Other comprehensive income	-	-	-
Purchase	-	10,251,164	10,251,164
Disposal	-	(9,777,658)	(9,777,658)
Balance as at 31 December 2013	659,894	2,327,664	2,987,558

3.2 Assets and liabilities not measured at fair value

Assets and liabilities that are not measured at fair value include, among which the difference between carrying value and fair value are small includes: cash and balances with central bank, due from banks and other financial institutions, placements from banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers, investments classified as loans and receivables, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements and due to customers.

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			
	As at 31 December 2014		As at 31 December 2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets				
Held-to-maturity investments	40,617,241	40,420,566	42,650,964	44,260,448
Financial liabilities				
Debt securities issued	7,949,964	7,955,158	6,339,982	6,500,000

Item	Bank			
	As at 31 December 2014		As at 31 December 2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets				
Held-to-maturity investments	40,617,241	40,420,566	42,591,302	44,198,224
Financial liabilities				
Debt securities issued	7,949,964	7,955,158	6,339,982	6,500,000

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

4. Capital management

The Bank's capital management focuses on monitoring of the Capital Adequacy Ratio ("CAR") and Return on Capital, aiming to comply with the regulatory requirements, reflect the expected shareholders' return, support the business expansion and strengthen the risk management function. The Bank establishes its CAR target based on regulatory capital requirement and its risk profile, and monitors the CAR against the target by means of setting limits and other necessary procedures.

The Bank's business has experienced a steady growth in recent years, which continuously increases the need on capital. To comply with regulatory capital requirement and maximise the shareholders' return, the Bank has supplemented its capital base through additional share offering to shareholders.

The Bank calculates and discloses Capital Adequacy Ratio in accordance with "The Rules on Capital Adequacy Ratios of Commercial Banks" as amended by CBRC in June 2012. As requested, in the reporting period, credit risk weighted assets are measured by the weighted method, market risk weighted assets are measured by the standard method, and operation risk weighted assets are measured by basic indicator approach.

The Bank measures capital adequacy ratio according to the latest rule since this reporting period, and puts operation risk into the scope of capital adequacy ratio measurement. Capital definition、assets risk weighting both in the balance sheet and off balance sheet and off-balance-sheet assets credit risk conversion coefficient rules are adjusted. Rule changes have certain influence to the Group capital adequacy ratio.

The table below summarises the composition of regulatory capital and the ratios of the Bank as at 31 December 2014:

Item	As at 31 December 2014	As at 31 December 2013
Net Core Tier 1 Capital	35,240,534	30,616,504
Net Tier 1 Capital	35,240,534	30,616,504
Net Capital	38,555,993	34,732,649
Risk-weighted assets	305,089,300	245,989,614
Core Tier 1 Capital Adequacy Ratio (%)	11.55	12.45
Tier 1 Capital Adequacy Ratio (%)	11.55	12.45
Capital Adequacy Ratio (%)	12.64	14.12