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[www.srcb.com](http://www.srcb.com)

Annual Report 2015



*Along the Way  
Grateful for You*

Shanghai Rural Commercial Bank

SRCB 2015  
Annual Report

We Make Banking Convenient for You

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According to statistics from "The Banker", a British magazine, SRCB ranked 193<sup>rd</sup> among 1,000 of the largest banks in the world in 2015 and was listed in the top 200 banks in the world. It also ranked 24<sup>th</sup> among Chinese banks included on the list.



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



## 3

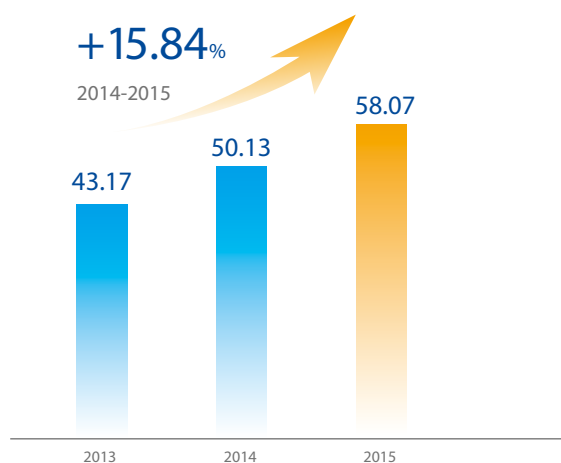
Appendixes

Financial Statements and Report of the Auditors

## Business Highlights

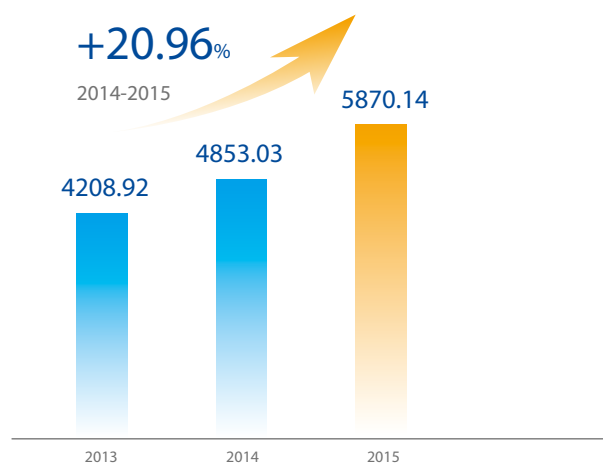
### Net profit in the last three years

(Unit: RMB100 million)



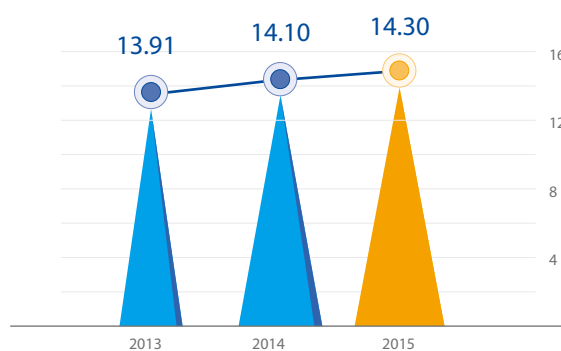
### Total assets in the last three years

(Unit: RMB100 million)



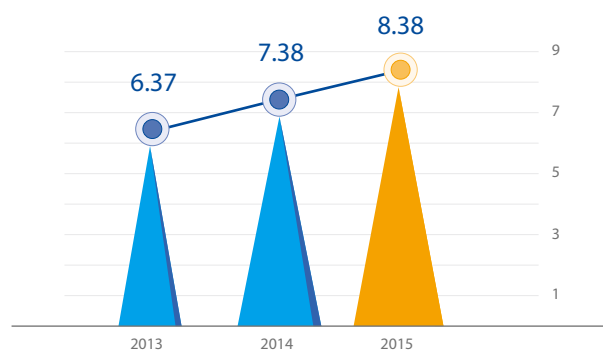
### Rate of Return on Common Shareholders' Equity in the last three years

(Unit: %)



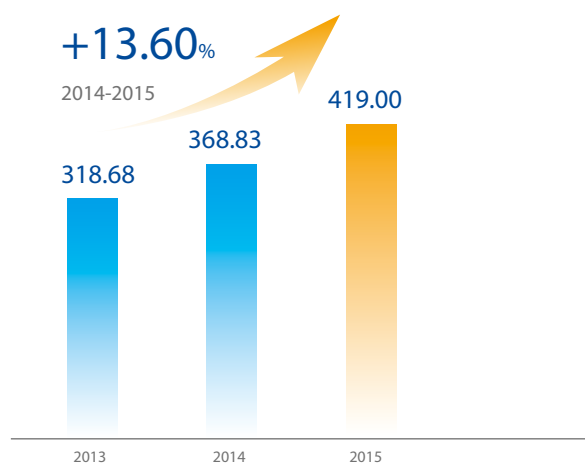
### Net assets per share in the last three years

(Unit: Yuan/Share)



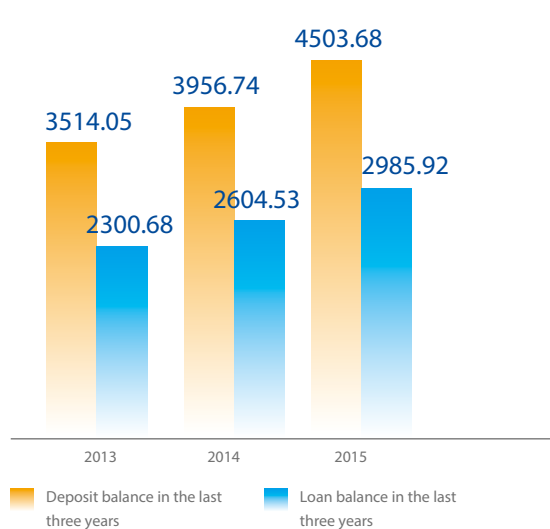
### Shareholders' ownership interests of parent company over the past three years

(Unit: RMB100 million)



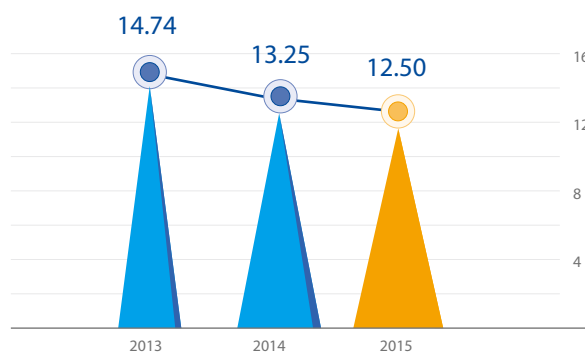
### Deposit balance and Loan balance in the last three years

(Unit: RMB100 million)



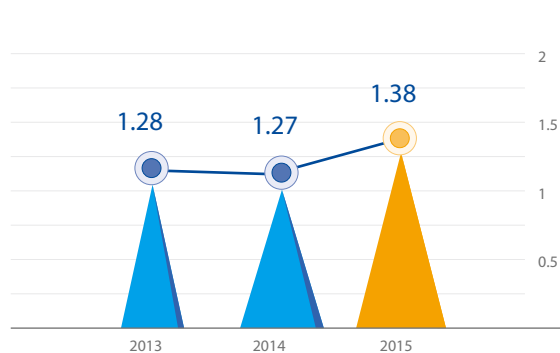
### Capital Adequacy Ratio in the last three years

(Unit: %)



### NPL ratio in the last three years

(Unit: %)





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## Important Notice

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- The Board of Directors and directors of the Company assure that there are no false representations, misleading statements or material omissions in this Report and bear individual and collective responsibility for the authenticity and accuracy of its contents.
- The text of the 2015 Annual Report of Shanghai Rural Commercial Bank Co., Ltd. has been reviewed and endorsed at the 28<sup>th</sup> meeting of the Second Board of Directors and at the 24<sup>th</sup> meeting of the Second Board of Supervisors.
- The 2015 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.

Shanghai Rural Commercial Bank Co., Ltd. Board of Directors  
2016.3.30

# 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:** Hou Funing<sup>Note</sup>

► **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](mailto:webmaster@srcb.com)

► **Newspaper for disclosing Company information disclosure:** Shanghai Financial News, etc.

Annual report published on: <http://www.srcb.com>

Annual report available at: 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: Deloitte & Touche CPAs (special general partnership)

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

Note: The legal representative of the company was changed to Ji Guangheng in Apr. 2016.

## Events in 2015

### January

FTA branch dealt with the first discretionary foreign exchange capital settlement.

Successfully launched the first value-added service through the business network.

### February

The web portal of the mobile version went online smoothly.

The Company was awarded "Best in Foreign Exchange Spot Transactions" by the China Foreign Exchange Trading Center.



### March

Successful issuance of the first rural land management right pledge loan in Shanghai.

Signed the International Swaps and Derivatives Association with ANZ Group.

Joint issuance of housekeeping co-branded cards with Shanghai Women's Federation.

Successful transaction of the first RMB borrowing in FTA of SRCB.

Obtained the approval for the construction of Yangtze River United Financial and Leasing Company.

Direct selling bank is officially online.

Launch of the corporate E-bank financing, online intelligent robots for customer services and other new functions.



## April

The municipal party committee and the municipal government decided to remove the title of Hu Pingxi as the party and director leader of SRCB.

Successful trial run of the first passbook ATM.

2014 Annual Stockholders' General Meeting.

Formal launch of the Gold International Service of SRCB.



## May

Deployment and implementation of the "Three Strict, Three Actual" special topic education activities.

Signed a strategic cooperative agreement with Shanghai Agricultural Assets & Equity Exchange.

Signed a strategic cooperative agreement with the Shanghai Construction Group.

Jointly conduct the themed activity of "Benefiting People through Finance and Technology" with the People's Bank of China Shanghai Office.

Smart newtork platform (Phase II) was successfully launched online.

Given the "Unionpay Credit Card Business Contribution Award".

## June

Successful landing of the first "Internal Guarantee and Direct Loan".

Opening of Yangtze River United Financial and Leasing Company.

Launch of the mobile payment via "mobile phone scanning" of "Xin Purse".





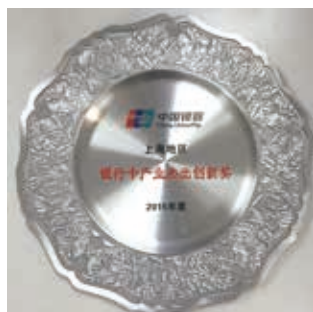
## Events in 2015

### July

Successful landing of the first "Internal Guarantee and Direct Loan".

Opening of Yangtze River United Financial and Leasing Company.

Launch of the mobile payment via "mobile phone scanning" of "Xin Purse".



### August

Accepted the inspection carried out by the eighth inspection team of the municipal party committee.

Successful launch of the electronic image file management system.

The main ratings and credit ratings of financial bonds were AAA.

Awarded by China Unionpay Credit Card Contribution.



### September

Awarded as "Bank with Best Science and Technology Service" and "Best Bank of the People" in the fourth session of the best small and medium bank contest held by the magazine of "Modern Bankers" and Hongru Financial Education Foundation.

Successful launch of the centralized national treasury electronized payment system

The Company became a member of the interbank foreign exchange options market, making it the first bank engaged in the transaction of RMB foreign exchange options in the national rural credit system and a fully-licensed bank to transact in the interbank foreign exchange market.

## October

Successful issuance of the first interbank negotiable certificates of deposit for investment to the FTA.

Successful issuance of 2015 Phase II of the medium term note of Bright Food Group with a total size of RMB 2 billion within a period of three years. The interest rate of the issuance was 3.68% and the excessive amount reached to RMB 3.5 billion, creating the lowest interest rate of the current period and achieving the successful landing of the main underwriting of the non-financial debt financing instruments.

7 Shanghai rural and commercial village banks in Chongming Shanghai, Linqing Shandong, Changqing, Ningxiang Hunan, Yongxing, Guiyang, Chongming Yunnan initiated by SRCB have been awarded as the National Top 100 Village Banks". 3 Shanghai rural and commercial village banks in Chongming Shanghai, Fangshan Beijing and Changsha Xingsha Hunan have been awarded as "National Top 50 Village Banks in Total Asset". Successful issuance of the first main underwriting business of the interbank market debt financing instruments.

Participated in the 2015 International Financial Exhibition in China.

Awarded second prize in the Management and Operation Contest for banking teams in the 2015 7<sup>th</sup> Information Safety Skill Competition.



## November

The municipal Party Committee and the Municipal Government adjusted the SRCB management that Mr. Ji Guangheng was appointed to be the Secretary of SRCB committee; approving Mr. Ji Guangheng to be the president of the Board of Directors of SRCB; Mr. Xuli to be the bank president of SRCB, Hou Funing no longer to be the deputy secretary or deputy president of the Board of Directors or president of SRCB, Mr. Sun Jianping to be the Chairman of the Board of Supervisors of SRCB; Mr. Xuli to be deputy secretary of the Committee of SRCB and nominated as the deputy president of the Board of Directors of SRCB.

Successful issuance of the first phase of credit asset supporting securities in 2015 of Xincheng with a product issuance size of RMB 1.5851 billion.

Honored in 2014 for the Annual Best Syndicated Loan Development Award by the China Banking Association.

Passed CMMI Level 3 International Certification.



## December

Became one of the first five banks in the city to sign the "mutual recognition of credit investigation and bank- tax interaction."

The customer service center was awarded as "2015 Annual Best Customer Service Center in Shanghai's Banking Industry". It has been the fifth year for the customer service center to be awarded as the "Best Customer Service Center" since the appraisal was carried out in 2011 by the Shanghai Banking Association.

Passed the ISO 20000 International Certification



# Address by the Chairman

Looking back on 2015, the Bank was faced with a series of external situations including three periods of superposition which included: economic slow-down, difficult structural adjustments and effects from the previous economic stimulus policies. There was also the deepening of financial reform. While it still recorded a stable growth in all business, it substantially enhanced comprehensive strength and market position and continued to create value for shareholders by proactively coping with difficulties and challenges with concerted effort and improving development quality and operation efficiency through exploration. By the end of 2015, the total assets of the Group reached RMB 587 billion, an increase of RMB 101.7 billion, up by 20.96% since the beginning of the year; the balance of deposit was RMB 450.4 billion, an increase of RMB 54.7 billion, up by 13.82% since the beginning of the year; the total loans reached RMB 298.6 billion, an increase of RMB 38.1 billion, up by 14.63% since the beginning of the year; The Group's net profit reached RMB 5.807 billion, increasing by 15.84%; return on assets (ROA) was 1.08%; return on equity (ROE) was 14.30%; and capital adequacy ratio was 12.50%. Non-performing loans are with a balance of RMB 4.096 billion, 1.38% of the total loans with an increase by 0.1% since the beginning of the year; the loan provision ratio reached 2.79% and the loan provision coverage ratio was 202.42%.

The Board of Directors further strengthened its role in strategic management in 2015 by constantly improving the Group's governance mechanism, enhancing its risk prevention capacity and making sound progress in key strategic work in the whole Bank.

First, the Bank focused on the implementation of strategic targets. The implementation of the development strategy for 2014-2016 was tracked and evaluated regularly and the strategy was dynamically fine-tuned to proactively adapt to the economic new normal status. The Bank deepened its notions of large reserve, large retail and large investment bank, and made continuous improvement in market competitiveness and profitability in all business. The Bank standardized management of investment in enterprises; strengthened share-holding management of rural banks, directed rural banks to persist in the direction of capital returns and sped up innovation-based development and fostered new characteristics. The financial leasing companies in which the Bank held shares have successfully come into operation.

Second, the Bank improved its governance in information systems. It set the model as a listed company, strengthened information disclosure and enhanced its service level to shareholders. Meanwhile, it gave full play to the professional committees including the strategic committee, risk management committee and audit committee in decision-making and support to lead and support the business development of the whole bank.

Third, the Bank improved its risk management capacity in the whole bank. Risk management efficiency was enhanced through the deepening of embedded risk management and the implementation

Party Secretary and President: Ji Guangheng



**587** billion  **20.96** %

Total assets of the Group Increase by



**450.4** billion  **13.82** %

Deposit Balance Increase by



**298.6** billion  **14.63** %

Total loans Increase by



**5.807** billion  **15.84** %

Net profit Increase by



of matrix risk management. It put more effort into asset quality management, investigation and exit of high-risk loans, and construction of a full-process early-warning platform to lift the risk prevention level. The new capital agreement was steadily carried out and the construction of market risk internal modes was continuously pushed forward. Risk-weighted asset (RWA) projects were launched and implemented to improve the risk measurement capacity of the Bank. Case prevention and control was further promoted, audit supervision intensified, and great effort was put into consolidation of the internal control system.

Combining strategic targets with social responsibility, the Bank continually enhanced awareness of social responsibility for all its leaders and employees, as well as cultivated excellent social responsibility values to create a harmonious blend of economy, society and environment values. It continued to increase credit loan release to real economy, support local economic and social construction, as well as promote industrial transformation and upgrading. By persistently committing to serving the people's livelihood, the Bank made great efforts towards inclusive financial services, standardized service charges, reduced financing cost. It also devoted itself to public wellbeing, made donations towards poverty alleviation, supported cultural and sporting events and promoted a spirit of volunteerism.

It would be impossible to score all these achievements without the support and trust from all of our shareholders, customers and all walks of life, as well as the effort and devotion from the management and all employees of the Company. Hence I take this opportunity to extend sincere thanks to them all.

The year of 2016 is the first year of China's 13<sup>th</sup> five-year planning and also the key year for the Bank to deepen its reform in a comprehensive way. Challenges exist along with opportunities. We will thoroughly implement the spirit presented in the Central Economic Working Conference and the 10th Plenary Session of the 10<sup>th</sup> Shanghai Municipal Party Committee to unify our thinking and reach a consensus. We will greatly enhance the comprehensive service capacity of the Head Office and customer service capacity of branches and sub-branches. The corporate governance structure will be continually improved with strict governance as the foothold to strengthen our team construction. We will fully utilize the directing power of evaluation, optimize the evaluation-motivation mode, use increased efficiency as our operational guide, proactively promote innovation-based transformation, perform our social responsibility, bring the Bank to reach new heights, and lay a solid foundation for getting listed independently in the near future.

Chairman:

# Address by the President

In 2015, the Bank adhered to efficiency as its center, and steadily advanced various work in operation and management. As a result, both our market share and profitability were continuously enhanced and the annual operational objective set by the Board of Directors has been fully achieved.

The Group's deposit balance in CNY and foreign currencies reached RMB 450.4 billion, an increase by RMB 54.7 billion since the beginning of the year, up by 13.82%; and the loan balance in RMB and foreign currencies was RMB 298.6 billion, an increase by RMB 38.1 billion, up by 14.63% since the beginning of the year. RMB loan accounted for 5.05% (including deposit in non-deposit financial institution) and deposit accounted for 7.1% (including deposit in non-deposit financial institution) in Shanghai market. Net profit reached RMB 5.807 billion, up by 15.84%; non-interest income of the Bank reached RMB 3.735 billion, an increase by 86.66%, accounting for 24.43% in operating income, up by 10.29 percentage points over the previous year.

Facing a complicated and changing external environment, the Bank proactively responded to market changes, increased support to small and micro enterprises, three rural issues (agriculture, rural areas and farmers) and other real economic fields, and carried out the development concept of inclusive financial services.

First, we have promoted market expansion and effectively enhanced our competitiveness. The RMB corporate loan balance of the Bank ranked fifth, and the RMB saving deposit balance ranked second in terms of increase within the current year in Shanghai. With efforts towards innovation-based development of three rural issues business, the Bank took the lead in Shanghai to launch the rural land contractual management rights mortgage loan. We also took multiple measures to support Shanghai Technical Innovation Center construction, launched performance loans and micro credit and other innovative services. The Xin Yi Tie brand was highly recognized among regulatory bodies and the market. The balance of retail loans has increased by 31.58% since the beginning of the year. We successfully launched the first asset-based securities products (ABS) and jointly undertook medium-term notes with inter-bank institutions. By optimizing mobile finance, e-payment and other services, our e-channel counter service reached a substitution rate of 68%. We have successfully established FT sub-accounting business and our international business settlement reached USD 10 billion.

Second, we strictly prevented and controlled risk and continuously enhanced our operation and management level. We



**5.05%**


Percentage of our RMB deposited in the Shanghai market



**7.1%**

Percentage of our RMB loaned in the Shanghai market



**3.735** billion  **86.66%**

All non-interest income Increase by

**24.43%**  **10.29**<sub>bp</sub>

Percentage in operating income Increase compared with previous year

improved our authorization management mode and imbedded risk management, promoted risk weighted assets (RWA) project construction. Significant progress was made in the disposal of large non-performing loans. Strategies for extra provisions for payment were adjusted and optimized, while treasury liquidity and capital position management were strengthened. We have also promoted the construction of long-term mechanisms for case prevention. Local disaster-recovery center planning was formulated and the long-distance network of operation outlets and self-service equipment was completed.

Third, the operation of investment enterprises was steadily promoted. 35 SRCB rural banks scored stable benefit and the financial leasing companies in which the Bank held shares have successfully come into operation.

Looking forward into 2016, our customer positioning is in line with inclusive finance, Internet finance, science and technology finance, and green finance advocated by the Central Government. This brings us a promising future for development. With customers as the focus and operational efficiency as the starting point of all our work, the Bank will put the five development concepts into full implementation: promote thorough operation transformation, push forward business development with comprehensive marketing methods, serve our target customers with innovative financial products, improve customer experience with efficient procedures so as to lift our service level in all aspects, and build a service-oriented bank.





Deputy Party Secretary, Vice-president and Governor: Xu Li

We will strengthen top-level design and speed up innovative development of the business; improve and perfect our customer-oriented operation and service management system; and penetrate towns and industrial parks, serve the real economy and people in the community. We will render services for the construction of a national modern agricultural demonstration zone in Shanghai. We will also support the development of scientific and technological enterprises, start-ups and four new enterprises and proactively participate in investment linkage pilot projects for scientific and technological enterprises in FTZ. By strengthening our construction of trading and financial service system, we will continue to keep our leading position among small and medium rural financial institutions. We will keep our loan preference to those industries with weak cycles like consumption, service and livelihood. Through flexible utilization of active liability tools, we will expand the business size of our finance market. Furthermore, we will accelerate asset management business to satisfy the diversified financial demands of our customers. We will consolidate the characteristics of Xin Yi Tie brand. We will promote inter-banking cooperation with other rural credit peers through completing the e-banking channel functions and enriching direct-sale banking services.

We will control risk and promote fine management. We will strengthen the overall risk management mechanism construction and steadily promote construction and application of results of all projects under the new capital agreement; build management evaluation and assessment system for operation risks, comply with the basic requirements of priority of internal control and

further improve the case prevention system. System-based and smart operation management will be enhanced for operation outlets and scientific innovation will be intensified to improve our capacity for independent research and development.

In 2016, based on the ten years of reform and development of SRCB, we will carry forward our cause and head into the future to achieve our goals through effort and hard-work. With our target as becoming a publically listed company, we will work with innovation, competitiveness, wisdom and initiatives, striving to improve our capability to solve problems and create value for our customers, as well as do our utmost to build ourselves into a service-based bank. We will do our very best to provide our employees with professional development opportunities, while creating maximum value for our shareholders in the course of building a strong bank with unique operational characteristics among competitors in Shanghai.

President:



Chairman of the Supervisory Board: Sun Jianping



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



Vice President: Shen Xingbao



Vice President: Ye Guorong



Vice President: Li Ji



Vice President: Jin Jianhua



Vice President: Shi Meiliang







# 1

10 years of cultivating excellence

10 years of service for customers deep in the heart

10 years of constant effort for the best yet most humble

10 years of achievement for your appreciated support

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Summary of Accounting Data and Financial Indicators

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Management Discussion and Analysis

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## Summary of Accounting Data and Financial Indexes

Key Financial Data during the Report Period

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

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

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

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

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

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

Changes in Shareholder Equity during the Reporting Period



## I. Key Financial Data during the Report Period

Unit: RMB 1000 Yuan

Items	The Group	The Bank
Total profits	7,225,753	6,783,986
Net profit attributable to shareholders of the parent company	5,633,520	5,466,082
Net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses	5,535,869	5,527,141
Operating profit	7,095,552	6,865,398
Investment income	2,055,937	2,043,120
Net non-operating income and expenses	130,201	-81,412
Net cash flow from operating activities	58,293,597	57,309,646
Net increase in cash and cash equivalents	-1,736,113	-2,132,567

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

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	2015	2014	2013	2015	2014	2013
Operating revenue	15,284,657	14,151,303	11,188,340	14,326,623	13,222,086	10,540,259
Net profit attributable to shareholders of the parent company	5,633,520	4,848,224	4,215,122	5,466,082	4,704,536	4,115,659
Total assets	587,013,544	485,303,181	420,892,309	565,112,647	466,600,941	406,484,600
Deposit balance	450,368,329	395,673,753	351,404,962	425,875,155	375,115,227	335,114,371
Loan balance	298,591,767	260,453,301	230,068,313	284,174,783	247,722,280	220,051,547
Owner's equity attributable to shareholders of the parent company	41,899,976	36,882,791	31,868,250	41,547,639	36,697,892	31,827,039
Basic earnings per share attributable to shareholders of the parent company (Yuan)	1.13	0.97	0.84	1.09	0.94	0.82
Basic earnings per share attributable to shareholders of the parent company after deducting non-recurring profits and losses (Yuan)	1.11	0.94	0.82	1.11	0.93	0.81
Net assets per share attributable to shareholders of the parent company (Yuan)	8.38	7.38	6.37	8.31	7.34	6.37
Net cash flow from the operating activities per share (Yuan)	11.67	3.15	4.55	11.46	2.85	4.38
Cost-to-Income ratio (%)	35.68	38.26	38.85	35.31	38.17	38.33
Weighted-average return on net assets (%)	14.30	14.10	13.91	13.97	13.73	13.58
Weighted average return on equity after deducting non-recurring profits and losses (%)	14.05	13.70	13.49	14.13	13.53	13.38

Note: The balance of deposits and total loan are exposed based on "1104 Off-site Regulatory Report" of China Banking Regulatory Commission

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

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	2015	2014	2013	2015	2014	2013
Opening balance	8,605,997	7,508,843	6,805,918	8,136,023	7,251,733	6,706,453
Accrued from profits or losses during the year's reporting period	1,783,262	1,938,580	991,317	1,487,943	1,725,431	833,670
Other transfer-in during the reporting period	50,737	675	7,631	50,737	675	7,631
Recovery during the reporting period	61,671	23,384	3,762	61,671	23,384	3,762
Transfer-out during the reporting period	-546,241	-122,532	-64,025	-546,241	-122,247	-64,023
Cancellation after verification during the reporting period	-512,678	-742,953	-235,760	-507,053	-742,953	-235,760
Closing balance	9,442,748	8,605,997	7,508,843	8,683,080	8,136,023	7,251,733
Balance of provision for loan losses	8,290,295	7,034,046	5,948,076	7,530,627	6,564,072	5,690,966
Provision during the reporting period	1,776,265	1,902,276	713,669	1,480,946	1,689,127	556,022
Transfer-in during the reporting period	112,408	24,059	11,393	112,408	24,059	11,393
Write-off or transfer-out during the reporting period	-632,424	-840,365	-299,785	-626,799	-840,080	-299,783

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

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	2015	2014	2013	2015	2014	2013
Total liabilities	543,687,067	447,159,670	387,903,693	523,565,008	429,903,049	374,657,561
Deposit balance	450,368,329	395,673,753	351,404,962	425,875,155	375,115,227	335,114,371
Total interbank borrowing	1,382,696	1,902,868	2,044,646	1,382,696	1,902,868	2,044,646
Loan balance	298,591,767	260,453,301	230,068,313	284,174,783	247,722,280	220,051,547
Wherein: Corporate loans	177,325,205	172,358,462	157,983,712	169,264,934	164,703,537	152,118,784
Discount	74,663,488	56,760,655	47,435,040	74,655,788	56,760,105	47,435,040
Personal loans	46,603,075	31,334,184	24,649,563	40,254,062	26,258,638	20,497,723

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

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	2015	2014	2013	2015	2014	2013
Operating Profit	7,095,552	5,977,961	5,116,315	6,865,398	5,663,655	4,953,348
Net profit attributable to shareholders of the parent company	5,633,520	4,848,224	4,215,122	5,466,082	4,704,536	4,115,659
Net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses	5,535,869	4,706,538	4,087,913	5,527,141	4,638,215	4,054,489

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

Items	Standard	The Group			The Bank		
			2014	2013	2015	2014	2013
Capital Adequacy Ratio	≥10.5%	12.50%	13.25%	14.74%	12.17%	12.64%	14.12%
Tier 1 capital adequacy ratio	≥8.5%	11.36%	12.10%	13.10%	11.09%	11.55%	12.45%
Core capital adequacy ratio	≥7.5%	11.36%	12.10%	13.10%	11.09%	11.55%	12.45%
Liquidity ratio (RMB)	≥25%	38.43%	36.91%	46.52%	38.44%	37.33%	46.28%
(Foreign currency)		32.60%	92.01%	105.57%	32.60%	92.01%	105.57%
Deposit-to-loan ratio (RMB)	≤75%	66.49%	65.85%	65.34%	66.93%	66.07%	65.53%
(Foreign currency)		47.84%	60.46%	88.53%	47.84%	60.46%	88.53%
Non-performing loan ratio	≤5%	1.38%	1.28%	1.28%	1.30%	1.31%	1.33%
Loan provision ratio		2.79%	2.72%	2.60%	2.65%	2.65%	2.60%
Provision coverage ratio		202.42%	212.71%	202.01%	204.24%	202.06%	194.57%
Percentage of loans to the largest customer	≤10%	4.80%	4.92%	5.83%	5.17%	5.28%	5.83%
Percentage of loans to the top ten customers		26.39%	28.62%	32.74%	28.43%	30.69%	32.74%

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

Unit: RMB 1000 Yuan

Item	The Bank		
	Dec.31, 2015	Dec.31, 2014	Dec.31, 2013
Net capital	43,596,003	38,555,993	34,732,650
Core tier 1 net capital	39,752,441	35,240,534	30,616,504
Tier 1 net capital	39,752,441	35,240,534	30,616,504
Total risk-weighted assets	358,339,717	305,089,300	245,989,614
Core tier 1 capital adequacy ratio	11.09%	11.55%	12.45%
Tier 1 capital adequacy ratio	11.09%	11.55%	12.45%
Capital adequacy ratio	12.17%	12.64%	14.12%

## VIII. Changes in Shareholders' Equity during the Reporting Period

Unit: RMB 1000 Yuan

Items	The Bank					
	Paid-up capital	Capital reserve	Surplus reserve	General provision	Undistributed profits	Total shareholders' equity
Opening Balance	5,000,000	8,111,058	493,460	7,404,874	3,968,461	11,720,039
Closing Balance	5,000,000	8,111,058	777,125	8,890,097	5,070,355	13,699,004



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Overall Operation during the Reporting Period

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Serious Asset Loss Caused by Operational Risk Case

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

Business Development Plan for the New Year

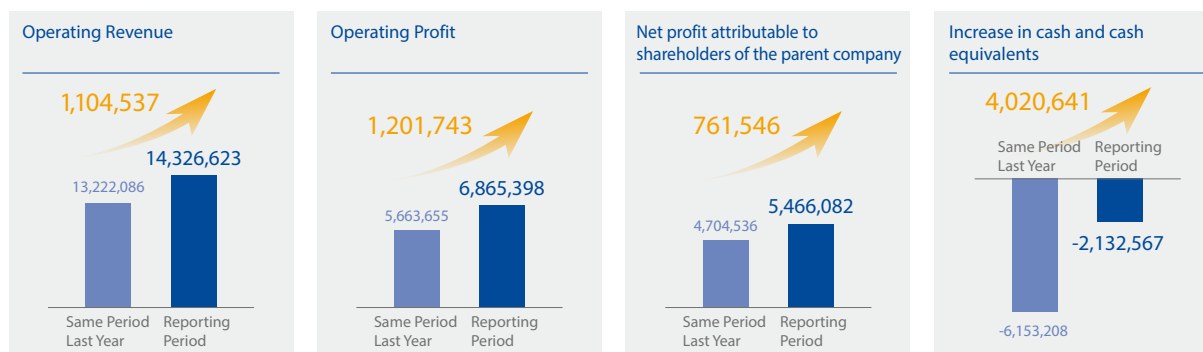




## I. Overall Operation during the Reporting Period

### (I) Main operating revenue, main operating profit, net profit, and increase in cash and cash equivalents

Unit: RMB 1000 Yuan



### (II) Comparison of total assets and shareholders' equity at the beginning and end of the reporting period

Unit: RMB 1000 Yuan

Items	The Group			The Bank		
	Reporting period	Same period last year	Increase/decrease	Reporting period	Same period last year	Increase/decrease
Total Assets	587,013,544	485,303,181	101,710,363	565,112,647	466,600,941	98,511,706
Owner's equity attributable to shareholders of the parent company	41,899,976	36,882,791	5,017,185	41,547,639	36,697,892	4,849,747

## II. Company Operations

### (I) Company's Business Scope

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

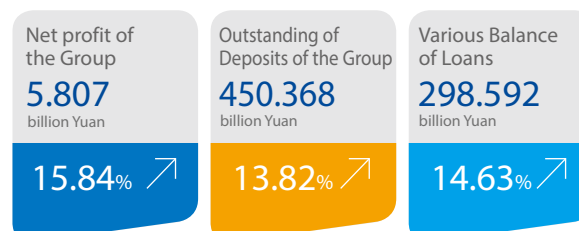
### (II) Company Operations Review

#### 1. Completion status of primary business indices

During the reporting period, given the three simultaneous economic difficulties (economic slow-down, difficult economic structural adjustments and the decreasing effects of previous

economic stimulus policies), deepening financial reforms and other external conditions, the Company continued to increase its market share and profitability by implementing the agenda of the 3<sup>rd</sup> and 4<sup>th</sup> plenary sessions of the 18<sup>th</sup> Central Committee of the Communist Party of China, with emphasis on profit-oriented policies and stable management and operations.

—The Group's net profit (including minor shareholders' profits and losses) reached RMB 5.807 billion, with an increase of RMB 794 million, up by 15.84% over the previous year. Its non-interest net income reached RMB 3.735 billion, with an increase of RMB 1.756 billion, up by 86.66% over the previous year, accounting for 24.43% of the operating income, an increase of 10.29 percentage points over the previous year.



—The Group's deposit balance in RMB and foreign currencies was RMB 450.368 billion, an increase of RMB 54.694 billion over the beginning of the year, up by 13.82%.

—The Group's loan balance in RMB and foreign currencies was RMB 298.592 billion, an increase of RMB 38.139 billion, up by 14.63% since the beginning of this year.

The balance of non-performing loans (the last three categories of loans according to the five-category asset classification) of the Group was RMB 4.096 billion, with an increase of RMB 789 million since the beginning of the year. The ratio of non-performing loans was 1.38%, with an increase of 0.1 percentage points since the beginning of the year.

Provision made by the Group was RMB 1.783 million. The loan provision coverage ratio was 202% and the loan provision ratio reached 2.79%. The capital adequacy ratio hit 12.50%. Return on Assets and Return on equity reached 1.08% and 14.30%, respectively.

## 2. Operation of All Lines of Business

### Development of corporate banking business

During the reporting period, the Company deepened reforms and created bold innovations around the "Three Agricultural Issues", SMEs and High-tech enterprises, optimizing its financial services scheme to promote local economic development. Active research was conducted on the "Three Agricultural" policies, customer segmentation, and target markets in order to provide comprehensive modern agricultural service solutions. The first rural land contractual management right for mortgage loan was successfully launched in Shanghai. The Bank won the 2015 China International Finance Expo "Jinding award" and the 2015 Shanghai Financial Innovation Award. Focusing on strategic planning and policy documents, the Company conducted research on industrial distribution and production value in "104 Industrial Park", strengthened marketing efforts for the Park to meet the financing needs of SME clients, and recorded stable increase in both client number and business assets. Based on the overall requirements in the construction of the Shanghai Technical Innovation Center, the Company endorsed the Shanghai Science and Technology Committee (STCSM) for a performing loan, supported microcredit business loans, promoted business cooperation with science and technology growth enterprises, enhanced its technical and financial services, and boosted development of technical enterprises. There was development in the banking syndicate business and the Bank received "the Best Bank for Small and Medium Enterprise Development" award for its syndicate lending business from the China Banking Association in 2015. The Company expanded its corporate cash management service and enhanced service content to increase customer convenience in terms of product use and achieve daily customer service satisfaction. The Company steadily developed its wealth management business with emphasis on product innovation and promotion. It enhanced the service capabilities of employees and market competitiveness through various forms of business training.



### Development of retail banking business

The Company focused on the "construction of community banks" and actively promoted the sustainable development of "retail credit, wealth management and bank card business" during the reporting period. As of the end of December, the Company saw its RMB saving deposits grow to RMB 195.767 billion, with an increase of RMB 16.081 billion since the beginning of the year. Balance of retail loans was RMB 56.147 billion, with an increase of RMB 13.474 billion compared to the previous year. The Company disbursed a total of RMB 32.44 billion in housing fund loans, accounting for 67.23% of the overall market share and increasing by 1.84% since the beginning of the year. Retail intermediaries generated an annual income of RMB 371 million. Acting as an over-the-counter agent, it attained insurance sales of RMB 6.312 billion. Consignment sales of certificate treasury bonds and saving bonds reached a total of RMB 1.669 billion. A total of 408 batches of wealth management products were issued, raising funds of RMB 70.914 billion in capital. Consigned funds reached RMB 2.365 billion. POS machines increased by 1076. Foreign exchange settlement reached RMB 138 million (after conversion from USD). Pension accounts increased by 17,300. The number of VIP clients with financial assets over RMB 200,000 reached 297,100, an increase of 50,900 individuals since the beginning of the year. A total of 10.5197 million debit cards were issued, among which, 2.2037 million union debit cards were issued. The Company actively promoted the "revolving credit facility for families", "comprehensive individual consumer credit", "mobile marketing management system" and online loan application. The Company promoted the direct sale of upgraded second-hand houses, and developed competitive products in housing finance. There was active exploration to transform community bank branches and promote cooperation and interaction among neighboring properties, merchants and schools. With emphasis on exploration and upgrade of financial convenience stores, the Company developed a financial convenience store construction plan version 2.0 to enhance the intelligence level of outlets and client service experience. We focused deeply on community interface, innovative products and services, and community marketing/advertising. To enhance its wealth management product capabilities, the Company launched the concept of family accounts and organized exhibitions for the sale of precious metals during high season.



#### Development of the trade financing business

During the reporting period, the Company focused on its profit-orientated, innovation-driven strategies to improve service and achieve greater market access. It strengthened marketing, promoted FTZ innovation, deepened interbank cooperation, boosted product research and development, improved business management and enhanced the quality of the team. To establish the top-to-bottom link and joint effort between the head office and branches as well as sub-branches, all assessment indicators were increased by 30% on a year-on-year basis. Trade and financial intermediary business reached RMB 118 million, an increase of 45% on a year-on-year basis; balance of deposit in foreign currencies was USD 716 million, a 111% increase on a year-on-year basis; net interest income from foreign currency business reached RMB 81.9562 million, an increase of 34% on a year-on-year basis; trade finance business reached a total of USD 1.816 billion in the entire year while international settlement reached USD 10.463 billion, a 22% increase on a year-on-year basis, exceeding USD 10 billion for the first time. Accepted and Approved by the People's Bank of China, the Company officially started its FTU sub-accounting services for FTZs, making it the first bank to launch this type of business in the rural credit system of China. Through close cooperation and top-to-bottom link between the Head Office and branches as well as subbranches

in FTZs, the Bank launched eight innovative businesses such as RMB borrowing under FT accounts, external insurance and internal loan during the reporting period. Deposit balance and loans under FT accounts reached RMB 754 million and RMB 795 million, respectively at the end of the year. By capitalizing on market opportunities and actively expanding its agency service for foreign exchange derivatives, the Bank further expanded its business scope (i.e., foreign exchange derivatives) and became a member of the interbank foreign exchange market in late September, being the first rural credit bank to qualify for such business. Thanks to the smooth trial operation of domestic credit in China during the reporting period, the Bank bought in a total of 170 transactions from forfeiting in domestic credit amounting to RMB 11.821 billion. The cumulative income recorded from intermediaries reached RMB 17.9409 million, while net interest income amounted to RMB 14.5714 million, representing a new profit growth point.

#### Development of e-banking business

At the end of the reporting period, the Company's registered corporate online banking users reached 127,438, increasing by 19% over the previous year; registered personal internet banking users reached 1,570,711, an increase of 54%; 47 new ATMs (including CRSs), 2 new multi-media self-service terminals, 5 new e-banking servers and 8 new direct-dial customer service telephones were activated. Average daily clicks on the Company's Chinese website exceeded 7.36 million; the number of daily visitors reached 45,000; while telephone banking business transactions reached 4.56 million, including 1.28 million manual services. Online customer service callers totaled 92,000, of which 20,500 manual service calls were exchanged. A total of 12.7449 million online financial transactions were made through various channels amounting to RMB 1,548.34 billion. During the reporting period, the Company actively promoted business innovations by launching the first direct-sale banking in the rural credit system and successfully expanding external cooperation in connection with its "Xin Yi Payment" business. It also established relationship with Jianxi Rural Credit Union & Rural Commercial Bank to provide internet funding service for clients within the territory, explore an internet+ financial services model and achieve positive interaction between traditional financial development and internet-led financial innovation. The Company continued to upgrade its e-banking, mobile banking, e-commerce, bank-enterprise direct connection and related functions; expanded mobile financial service channels, completed construction of the UnionPay TSM payment system and initiated the development of an HCE mobile payment channel. To enhance B2B payment and settlement channels as well as Alipay, there was B2B interbank cooperation that enabled the Company with its e-business Level-II merchant clearing business successfully activated and operated on line. Improvements were made on its on-line wealth management business channels which include the Xing Enjoyment wealth management products. A series of marketing activities were organized to promote the brand and business. The Bank has reinforced the construction and improvement of the E-banking system to perfect business management and prevent Internet trading risks. The bank has taken measures to guarantee

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the quality of its customer service center and improvement its telephone banking operation and service system.



#### Development of credit card business

By the end of the reporting period, the Company issued 80,600 new credit cards, and recorded an operating revenue of RMB 227 million, with a year-on-year increase of 64%. Income from credit card fees amounted to RMB 166 million, with a year-on-year increase of 111%. The full-year turnover recorded RMB 13.5 billion. Taking innovative development as a means to increase income level which is the goal, the Company promoted its credit card business and introduced the Xincheng platinum card to meet the demands of car owners. To determine consumption hotspots and create innovative products that satisfy the diverse demands of customers, the Company promoted its high-end corporate credit card - the Platinum Business Card and developed a business card management system. High-quality client resources like Xinfeng cards, union cards and others were fully utilized in marketing. As a result, there was an increase in business coverage and revenue contribution from the cash installment program. To keep up with internet development trends, the Company focused on the promotion of online payment channels, increased consumption based on online payments made through the e-commerce shopping carnival, unblocked repayment channels like Alipay and 99Bill, negotiated with Jindong Pay, and established financial cooperation with Zhima Credit. Magnetic stripe cards were upgraded to IC cards and at the same time, adhered to PBOC3.0 standards. As a result, the security of the customers' cards was guaranteed. The features of the off-line application of IC credit cards were also enhanced as well as the scope of use.



#### Financial market business development

In order to actively respond to market changes, the Company made structural optimization and transformation development in its finance business to further increase the width and depth of its market participation and constantly improve its business capacity and profitability. First, adjustments were made on the structure along with market conditions and operational efficiency to improve businesses of bank's own accounts. The Company has laid the solid foundation to help business of bank's own accounts maintain their income by adopting flexible and active liability strategies, seeking more assets through multiple channels, and increasing operation of transaction accounts and capital turnover. Second, given the assets and liabilities, the competitiveness of its asset management business increased significantly. The Company took the initiative to respond to development trends in asset management. It promoted diversification of assets and liabilities, and upgraded its products and expanded e-banking transaction channels to constantly optimize customer experience and establish a good reputation in the market. Third, it combined strategies to build its brand and further improve the total contribution of its discount business. The Company continued to promote its unique discount product-- "Xin Yi Tie" for small and micro enterprises, which supports the development of small and micro enterprises and further enhances brand influence. Fourth, the Company steadily made innovations to adapt to market changes for further consolidations. Phase 1 of the 2015 Xincheng credit asset-backed securities was successfully issued to revitalize credit-related assets and actively adapt to interest rate liberalization. The Company's transaction channels were further enhanced with the development of new businesses like interest rate swap, borrowing and lending of bonds, X-repo quotation, CFAE credit bond quotation, precious metals leasing, forwards and swaps, etc. Fifth, the Company took the initiative to control risks and further improve its ability to cope with new normal risks. The Company strictly controlled credit access and continued to strongly track, monitor and provide warnings on transaction risks to keep all business risks in the financial market under control.



#### Interbank business development

As of the end of the reporting period, the balance of RMB interbank borrowing along with interbank financial asset investment reached RMB 21.69 billion, of which, interbank borrowing was RMB 17.06 billion and interbank financial asset investment was RMB 4.63 billion. Business income was RMB 1.366 billion, of which, intermediary business income was RMB 106.7



million, which is a 226.95% increase on a year-on-year basis. There were 226 interbank cooperation clients with an RMB interbank deposit balance of RMB 45.237 billion, which is an increase of 214.43% on a year-on-year basis; the daily deposit of RMB 36.667 billion was a 139.11% increase on a year-on-year basis. During the reporting period, the Company's interbank business was converted from a single business into an integrated business, from a primarily interbank liability business into a joint development between an interbank asset and interbank investment banking business, from a professional individual structure into an asset and investment banking business, and from mere "direct sale" into "direct sale + branches and subbranches linkage". As a result, there was interregional cooperation to gain customer cooperation, product diversification, multi-level channel partners, and a specialized employee structure.

#### Development of Intermediary Business

The Company actively adopted the changes according to customer demands and expanded its intermediary business channels during the reporting period. It actively expanded syndicate loans, cash management and other new income sources, and achieved significant success. Wealth management products, insurance, funds, precious metals and other wealth management businesses had an outstanding contribution and 2.27 million clients patronized more than three types of these products. By optimizing mobile banking, e-payment and other services, the Company rapidly increased the number of its clients in e-banking, mobile, wechat and other electronic channels. The substitution rate in its e-channel business desk reached 52%. The Company launched lucrative products like the platinum business card, Xinchu platinum card, Xinfujin, and car installment plan. Its international business settlement reached USD 10 billion.

#### Development of branch network

During the reporting period, the Company established 4 new branches and adjusted 14 outlets. By the end of the reporting period, the Company had 411 branches in total, including 403 local branches, among which, 42 branches were within the Inner Ring Road, 52 branches between the Inner Ring Road and the Middle Ring Road, 62 branches between the Middle Ring Road and the Outer Ring Road, 247 branches beyond the Outer Ring Road, and 8 non-local branches. The Zhangjiang Business Processing Center was completed and the Company will be officially operational after necessary adjustments are made depending on actual conditions.

#### IT Development

During the reporting period, the Company strengthened its IT management, completed the construction of the management process system for IT projects, and obtained CMMI3 authentication; it carried out information security management system construction, started trial operation, improved the IT service management system and obtained ISO20000 certification. The development of new requirements was completed and the new system was executed as planned. The Company increased its independent research and development as well as scientific and

technological innovations, completed the construction of projects like large data platforms and mobile internet platforms. The role of science and technology was given full play. The Company supported transformation development and business innovation in sectors like large quantity of reserves, large retail and internet finance, construction of a data-sharing platform and promotion of data governance outcomes. The Company supported business development of rural banks and took over the development of new applications. It built mobile maintenance service management platforms, continuously optimized production monitoring, and enhanced science and technology maintenance management levels to ensure continuous, safe, stable operation of information system. It accelerated the construction of a disaster recovery center, improved emergency plans and organized the development of emergency drills. Performance and capacity management of the system was deepened to enhance utilization ratio of IT resource and asset management level.

#### Development of Rural and commercial village Banks

During the reporting period, the 35 rural and commercial village banks established by the Company registered a net profit of RMB 349 million for the whole year, an increase of RMB 170 million and 5.12%; balance of all deposits reached RMB 24.493 billion, and the loan balance was RMB 13.657 billion. The Company opened 11 new branches and a total of 59 business outlets. Faced with complex and challenging external economic and financial conditions, the Bank actively performs its duties in dealing with shareholders and management, and helps rural and commercial village banks by continuously enhancing their operation and management. The Company introduced small and medium financing in Taiwan using a micro loan technology and management model. It established pilot micro loan financing centers in 11 rural and commercial village banks to enhance its small and micro marketing capabilities. It worked closely with major shareholder "Xin-e shopping" online mall and increased promotion of the "Xin Yi Wallet Payment" system. It optimized mobile terminals, e-banking and other convenient service channels, unblocked e-banking rural credit banks and activated the Xin Yi Payment 7\*24 remittance. It steadily promoted physical outlets with traditional functions and service outlets that combine the features of internet service and specialty supermarkets. It conducted a pilot project for benchmarking outlets in order to tap their potential and accelerate transformation development. It promoted the "Cuncun Cash", "Agreement Deposit" and other floating interest rate deposit products. It organized and launched a special "5-year time deposit" promotion and added 9 personalized credit products like "real estate loan sales" and "car loans" to improve its traditional products. It required rural banks to prepare financial budgets annually and audited and analyzed budget implementation quarterly to strictly manage expenditures and maintain a highly efficient operation of rural and commercial village banks. It established a different authorization system and dispatched risk managers on a trial basis to transfer risk control. It investigated and evaluated the quality of credit assets in rural and commercial village banks, disposed non-performing assets and formed risk cases to strengthen professional training. It continued to carry

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out a multidimensional inspection mechanism that included self-assessment of rural and commercial village banks, management evaluation, inspection of head office management and various internal and external audits. It also conducted daily risk monitoring using an early warning system to continuously strengthen risk control of rural and commercial village banks. It initiated the development and revision of 50 rules and regulations, helped examine 107 legal documents including the mortgage contract of the largest security deposit, and organized and conducted special investigation and review of clients' asset security and prevented employee misconduct to maintain compliance of rural and commercial village banks. It fulfilled its obligation with regard to liquidity support and provided 35 times the liquidity facilities for 10 rural banks for a total of RMB 683 million. There was a non-local disaster recovery project developed on line for rural banks, 21 business systems including a corporate electronic receipt system and 13 management system functions were optimized. The system return of Chongming Rural and commercial village Bank, Shanghai was also successfully completed. The Company organized and conducted nearly 30 rural and commercial village bank trainings for about 3886 trainees, 3.5 times the average training of each individual, using a concentrated and decentralized training that combines video sessions and online study as well as other modern means. To move the training platform forward, the Company opened the "SRCB rural bank class" in cooperation with Qilu University of Technology to explore job-oriented trainings for rural and commercial village bank personnel.



### Risk management

First, The Bank continued to improve its risk management system and pushed forward an embedded risk control model. It further enhanced risk management independence and business development support. The Bank continuously improved its effectiveness in risk management measures and strengthened its risk management system. Second, it optimized its risk appetite strategy and 2015 control indicator system to improve its overall risk management approach and operating mechanism. Third, The Bank strengthened credit risk management, deepened industry and input research, deepened industry and extension

direction research for better foresight of risk management. The Bank pushed forward the implementation of internal credit risk assessment methods for new capital agreement, and enhanced our refined risk management level. The Bank continued to focus on real estate loans, corporate loans with local government background, credit extension to excess-capacity industries and other key field risk control and maintained credit asset quality's overall stability. The Bank actively expanded new businesses, reduced excess-capacity and promoted "green credit" and prioritized supporting all forms of modern agriculture. The Bank restricted the entry of "three highly excessive industries" and lagged behind other industries with additional or over capacity, according to the Ministry of Industry and Information. Internal control management

The Company further enhanced internal control management from aspects of "regulation, authorization, accountability" during the reporting period. First, we improved the internal control management system. We formulated Internal Control Policy of Shanghai Rural Commercial Bank, completed Self-Evaluation Report on Internal Control of Shanghai Rural Commercial Bank, Report of Shanghai Rural Commercial Bank on Implementation of Strengthening Internal Control and Preventing Business Operating Risk to further improve the procedures for rectification and correction of internal control and preliminarily establish a liaison system for department rectification and correction. Second, we put into practice a new authorization system. We adjusted business authorization in a scientific manner to strive for a clear authorization matrix, defined authorization content and relevant obligations and responsibilities. We adjusted the rules to determine business authorization, released the approval authorization on interest rates of branches and sub-branches under interest rate marketization and the authorization on special unit operation under FTU sub-accounting in accordance with the internal evaluation method. We further standardized letter of authorization to dynamically monitor and integrate the authorization for innovation business. Third, strict accountability. We investigated the violation of rules and regulations found in daily business and inspection in a strict manner and made clear the responsibility for investigation and rectification. Accountability was held and penalty was imposed seriously on individuals and units that failed to take on responsibilities for case prevention or perform their duties, or that violated the same regulations after inspection. And we performed investigation and imposed penalty on each identified case and risk cases to give full play to compliance of accountability regulations.

### Compliance management

During the reporting period, the Company focused on compliance key issues, continuously improved compliance management work mechanism, actively implemented all regulatory requirements, increased the sensibility of external environment and regulatory policies, identified in time violation and loopholes in compliance,

took timely measures for rectification of the entire system, actively deployed compliance risk management network, constantly enhanced quality and work capability of compliance risk management staffs, strengthened the cultivation of a culture of compliance and maintained inherent compliance risks stable.

### Talent development

During the reporting period, the Company focused on development strategy and promoted actively the cultivation of talents to render HR support to business transformation and business development. We further strengthened team construction of department lines in the head office and sub-branches and branches, reinforced cultivation of newly appointed mid-level cadres, perfected cadre appointment procedures, revised cadre management methods, cadre exchange management methods, formulated administrative measures for middle management, introduced 89 professionals in finance, trade finance, retail finance, finance market to further enrich and optimize team structure. We conducted internal recruitment to vitalize internal human resource, digged out internal potentials with great effort and expanded channels for employee career development. Strengthening the employer brand, we recruited 364 fresh graduates. We fully implemented a management trainee program and recruited 11 management trainees from universities sponsored by Project 985. Focusing strategies and implementing key work, we expanded diversified training channels, established wechat study platform of "Xin School" and initiated training operation, carried out training and test for all levels of staffs in an orderly way. We carried out a total of 2044 training sessions throughout the year with 105,448 attendees.



### Development of the corporate culture

The Company established its strategic objective to cultivate a striving enterprise culture and build a sound brand image. We also promoted the financial enterprise culture of "responsibility, prudence, compliance, innovation" and advocated for the enterprise value which is to "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 rendered powerful support to transformation development of the Company by closely integrating with reform and development actualities and through special "Three Strict and Three Realities" education. We further focused on major undertakings while constantly promoting and

imbibing the importance of President Xi Jinping speeches. We strove to deepen and understand these teachings in order to grow and motivate other employees through our strong spirit. We adapted ourselves to the new norm of economic development and party building work, cultivated and put into active practice the core value of socialism, conducted "two excellent and one advanced" appraisal and election, so as to further create a sound environment of learning from the advanced, adoring the advanced and striving to be like the advanced throughout the bank. We placed equal emphasis on study and innovation, established a regular mechanism of learning, strengthened strategic forums, innovation forums and other methods of study to promote construction of a learning organization. By giving full play to vigor of Youth Brigade and Youth Civilization, we carried out activities of "entering communities, entering parks and entering small and micro enterprises", selected "10-year-long clients" and elected "top ten youth stars", and cooperated with municipal youth committee in the "Love Summer Kindergarten" project. We pay attention to the livelihood and show concern for the community. We practiced charity in various ways such as paired support, volunteer service and finance knowledge popularization and we actively explored the sustainable way of charity with our financial advantages so as to make positive contributions to the construction of a harmonious society.

### Position in the Peer and awards

According to statistics from "The Banker", a British magazine, SRCB ranked 193rd among 1,000 of the largest banks in the world in 2015 and was listed in the top 200 banks in the world. It also ranked 24th among Chinese banks included on the list.

During the reporting period, the Company was presented the Shanghai Finance Innovation Achievement Award (rural land mortgage loan) by the Shanghai Municipal People's Government in 2015. It was selected as the China Bond Market Excellent Member and Excellent Dealer in 2015 by the China Central Depository & Clearing Co., Ltd. (CCDC) and included in the Top 100 transactions in Interbank Local Currency Market Trading in 2014. It received the Most Influential Award in Interbank Local Currency Market Trading in 2014, the Best Rural Financial Institution Award in Interbank Local Currency Market Trading in 2014 from the China Interbank Funding Center, the Best Spot Market Member Award, the Best Syndicate Development from the China Foreign Exchange Trade System (CFETS), and the Shanghai Outstanding SME Financial Service Partner in 2015.

During the reporting period, the Company also received first prize from the People's Bank, Shanghai Branch in 2015 for its financial statistics and assessment of Chinese financial institutions. It was ranked Class A in 2014 in terms of comprehensive assessment of cash service and management in Shanghai and Class A in comprehensive assessment as an RMB issuing agent in Shanghai in 2014. It received the Best Customer Service Award in the Shanghai Banking Industry for five consecutive years from the Shanghai Banking Association.

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### 3. Income from main operating business (interest income)

Unit: RMB 1000 Yuan

transaction type	Income	
	The Group	The Bank
Loan	13,360,066	12,240,734
Discount on bills	3,647,586	3,647,126
Deposit to Other Banks	408,855	319,080
Deposit in the Central Bank	1,091,540	1,053,792
Lending funds and buying back sales from financial assets	1,520,226	1,520,226
Bond Investment	3,835,464	3,835,464
Others	468	468
<b>Total</b>	<b>23,864,205</b>	<b>22,616,890</b>

### 4. Market share of main products or services

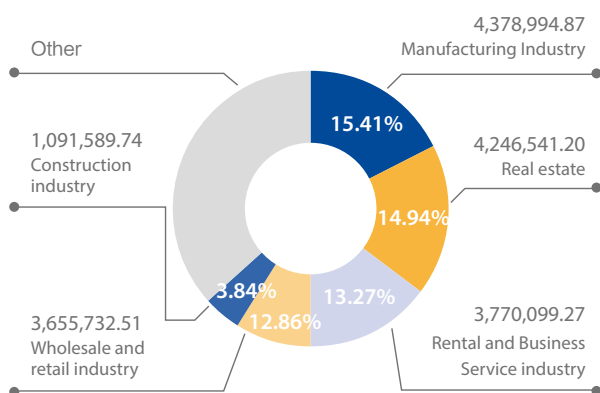
As of the end of the reporting period, the Company had a market share of 5.34% in RMB corporate deposits, up by 0.2 percentage at the beginning of the year, enabling it to rank 8th in terms of balance and 5th in terms of new increase in Shanghai. The Company had a market share of 8.89% in RMB savings deposits, up by 0.35 percentage at the beginning of the year, enabling it to rank 4th in terms of balance and 2nd in terms of new increase in Shanghai.

### 5. Top five industries granted with most loans in RMB (balance and proportion)<sup>Note</sup>

Unit: RMB 10,000 Yuan

No.	Sectors	Ending Balance	Proportion
1	Manufacturing Industry	4378994.87	15.41%
2	Real estate	4246541.20	14.94%
3	Rental and Business Service industry	3770099.27	13.27%
4	Wholesale and retail industry	3655732.51	12.86%
5	Construction industry	1091589.74	3.84%

注：人民币贷款投放前五位行业及比例按中国银行业监督管理委员会“1104 非现场监管报表”口径披露



### 6. Main items of off-balance sheet and risk management

Unit: RMB 1000 Yuan

Items	Balance in 2015	Balance in 2014	Balance in 2013
<b>The Group</b>			
Letters of credit issued	1,302,031	1,261,790	1,943,169
Letters of guarantee issued	3,318,761	1,817,922	1,385,851
Bank acceptance bills issued	7,772,282	5,716,508	4,398,283
Credit undertakings	13,545,074	12,555,162	5,638,236
<b>The Bank</b>			
Letters of credit issued	1,302,031	1,261,790	1,943,169
Letters of guarantee issued	3,318,761	1,817,922	1,385,851
Bank acceptance bills issued	7,772,282	5,716,508	4,398,283
Credit undertakings	13,545,074	12,555,162	5,638,236

### (III) Challenges in business operation and solutions

During the reporting period, faced with the economic difficulties of the “three periods of superposition” (economic slow-down, difficult economic structural adjustments and decreasing effects of the previous economic stimulus policies), financial reform deepening and other external situations, the Bank continued to adjust and optimize its credit business structure to adapt the development of a new norm for the economy. The Bank organized and conducted evaluation of strategic clients and core clients, locked targeted client group, and our large-amount loan clients with loan amounts of RMB 50 million and above totaled 616, accounting for 61.27% of the corporate loan. We organized 74 dedicated SME teams for promotion in the industrial park. Directed by Shanghai Municipal Financial Service Office, Shanghai Municipal Agricultural Commission, the bank took the lead in launching pilot mortgage loans of rural land operations right in Shanghai with efforts focused on innovation development of the “3 agriculture businesses”. The Bank actively participated in Shanghai Technology Innovation Center construction, worked out special work plan and launched performance loan, Weidaitong and other innovative businesses and our science and technology enterprise clients reached 1166. With great effort for discount business, our “Xin Yi Tie” small amount bill discounting business got highly recognized by regulatory bodies and the market. We seized the opportunity in real estate market warming up and consumption upgrading to increase the mortgage loans and consumption credit.

Impacted by interest rate marketization, internet + and other factors, the Company's traditional profit model was challenged during the reporting period. In response, the Company dug deep for traditional business potentials on one hand and greatly expanded emerging business on the other hand. We opened

FT sub-accounting business successfully and gradually spread to FTZ expansion departments. As a result, a total of 222 FT accounts were opened with us. Branches and sub-branches in FTZ actively explored voluntary settlement of FX capital, swap portfolio, local guarantee for oversea credit business, interbank cash management, FTN USD loan business and other innovation business. The Company stably promoted internet financial business and the direct sale banking was put in operation and went online with new clients reaching a total of 56,000. Xin Yi Payment was launched and the Alipay bill wealth management business was put into trial operation.

During the reporting period, impacted by the economic downward trend, the industrial and regional risks accumulated during the banking development were exposed at an accelerated speed. Credit risk of the Company was exacerbated as risk not adequately manifested in some fields, the rebounding pressure of non-performing loans remaining high. Hence,, the Bank focused on risk control in key fields in consideration of overall plans and all factors. Considering the different risk profiles, we formed a clearing team in "two layers and five levels" to speed up judicial settlement of large-amount non-performing loans and made substantial achievement. Based on "one policy for one (group) account", the Bank further reduced credit facility to high-risk and low-return clients, constantly conducted special inspection on individual business loans, dedicated trading enterprise loans, private group (associated) enterprise credit facility, large-amount bill discount business. The Bank optimized early warning module for companies and retail credit risks. New capital agreements were implemented in an orderly way. The Bank put into operation and the internal ranking system online, conducted internal ranking system verification; promoted risk weighted assets (RWA) project construction and established the risk data mart. Client admission management was strengthened and small and micro enterprise credit facility grading cards were put into application. Authorization management model and embedded risk management were improved.

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

The Company adhered to the profit orientation and strengthened awareness of capital constraint, and also improved the system of capital allocation, management, control and assessment to comply with the new regulatory requirements on capital. A stable strategy of capital being mainly replenished from internal source supplemented by external source was adopted to ensure that capital position could effectively perfect the risk management and push business transfer for the whole bank and increase the return of equity.

During the reporting period, as required by the formulated Capital Management Strategy for 2014-2016, the Company gradually adjusted the balance and off balance asset structure, promoted proper growth of risk asset scale; established capital budgeting and allocation mechanism and improved performance assessment mechanism; pushed forward the implementation of new capital agreement and put into operation and got the internal ranking system online, promoted risk weighted assets project construction and established the risk data mart and pushed forward market risk internal module construction. We established diversified capital supplement mechanism with capital supplement mainly from internal retained profit.

The Bank calculated capital adequacy ratios and core capital adequacy ratios in accordance with the CBRC's "Rules on Capital Adequacy Ratios of Commercial Banks (2006)" and the "Administrative Measures for Commercial Bank Capital (2012) (for trial implementation)".

## III. Summary of Banking Data

### (I) Basic Branch Information

No.	Name of Branch	Business address	Number of Branches Under Its Control
1	Headquarters Business Department	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	Shanghai Pilot Free Trade Zone Branch	No. 6, Jilong Road, Pudong New District, Shanghai	1
4	Pudong Branch	No. 1500, Century Avenue, Pudong New District, Shanghai	48
5	Minhang Branch	1-2/F, No. 670, Qixin Road, Minhang District, Shanghai	27
6	Jiading Branch	No. 386, Tacheng Road, Jiading District, Shanghai	26
7	Baoshan Branch	No. 1198, Mudanjiang Road, Baoshan District, Shanghai	31

No.	Name of Branch	Business address	Number of Branches Under Its Control
8	Songjiang Branch	No. 405, North Renmin Road, Songjiang District, Shanghai	27
9	Jinshan Branch	No. 505, West Weiqing Road, Jinshan District, Shanghai	22
10	Qingpu Branch	No. 399, Gongyuan Road, Qingpu District, Shanghai	25
11	Fengxian Branch	No. 9780, Nanfeng Road, Fengxian District, Shanghai	28
12	Nanhui Branch	No.487, Dongmen Avenue, Huinan Town, Pudong New District, Shanghai	32
13	Chongming Branch	No. 188, Beimen Road, Chengqiao Town, Chongming County, Shanghai	31
14	Putuo Branch	No. 599, Xincun Road, Putuo District, Shanghai	21
15	Changning Branch	No. 8, Lane 555, Gubei Road, Changning District, Shanghai	12
16	Xuhui Branch	No. 3-7, Lane 9, Zhaojiabang Road, Xuhui District, Shanghai	22
17	Hongkou Branch	No. 2721, Songhuajiang Road, Hongkou District, Shanghai	12
18	Yangpu Branch	No. 1599, Huangxing Road, Yangpu District, Shanghai	11
19	Zhabei Branch	F1, No. 169, Gonghe Road, Zhabei District, Shanghai	10
20	Huangpu Branch	East Side, F1, No. 500, Guangdong Road, Huangpu District, Shanghai	10
21	Jing'an Branch	No. 770, West Beijing Road, Jing'an District, Shanghai	4
22	Jiashan Branch	No. 67-63, Jiashan Avenue, Luoxing Subdistrict, Jiashan County, Zhejiang Province	2
23	Xiangtan County Branch	No. 598, Jingui South Road, Yisuhe Town, Xiangtan County, Hu'nan Province	4
24	Kunshan Branch	F1-3, No. 183, Middle Qianjin Road, Kunshan City, Jiangsu Province	2
25	Zhangjiang Science and Technology Branch	Room 103-108, No. 8, Zone B, Lane 500, Zhangheng Road, Pudong District, Shanghai	1
Total			411

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

Unit: RMB 100 million (CNY)

	Pass		Special mention		Substandard		Doubtful		Loss	
	Balance	Percentage	Balance	Percentage	Balance	Percentage	Balance	Percentage	Balance	Percentage
End of 2014	2394.67	96.67%	50.07	2.02%	20.30	0.82%	10.47	0.42%	1.71	0.07%
End of 2015	2770.14	97.48%	34.74	1.22%	25.23	0.89%	8.99	0.32%	2.66	0.09%

## (III) Type of Provisions

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

- Provisions for impairment of assets include loans, financial assets available for sale, accounts receivable investment, long-term equity investment, foreclosed assets, etc
- The balance of impaired assets was RMB 8.683 billion at the end of 2015.

## (IV) Loan Ratio of Top Ten Customers

Customer Name	Loan balance (RMB 10,000 Yuan)	Ratio of total loans (%)
Shanghai Pudong Land Holding (Group) Co., Ltd	225,500.00	0.79
Shanghai Alcatel-Lucent Co., Ltd.	166,457.56	0.59
Shanghai Pudi Investment Development Co., Ltd.	135,045.71	0.48
Shanghai Industrial Development Co., Ltd.	135,000.00	0.48
Shanghai Pudong New District Land Resources Reserve Centre	102,800.00	0.36
Shanghai Expo Land Shareholding Co., Ltd.	100,000.00	0.35
Jinjiang International (Group) Co., Ltd.	100,000.00	0.35
Shanghai Urban Construction (Group) Co., Ltd.	95,000.00	0.33
Shanghai Real Estate (Group) Co., Ltd.	89,950.00	0.32
Shanghai Yuanshen Industrial Co., Ltd.	89,800.00	0.32

## (V) Group Customer Credit and Risk Management

The Company centralized credit approval of group customers and monitored it on a regular and non-regular basis. Loan balances of both the biggest client and group client of the Company were far lower than the regulatory requirements. Balance of all related credit facility of the Company was RMB 1.039 billion with a relevant concentration ratio of 2.38%, lower than the regulatory indicator of 50%.

During the reporting period, in order to strengthen the group's customer management, the management was made aware of the potential hidden credit-related customers and prevented the related party (group) from evading recognition and colluding with other customers. The Company issued a notice regarding the Strengthening of Management when it comes to Related-Party (Group) Customers, which required all branches and sub-branches to recognize the relationship of related (group) customers based on the principles of "substance over form".

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

At the end of the reporting period, restructured loans reached RMB 60.12 million, of which, RMB 7 million was overdue loan.

## (VII) Monthly Average Balance and Interest Rates of Main Categories of Deposits and Loans

Unit: RMB 1000 Yuan

Category	The Bank	
	Average balance	Average interest rate
Self-operating loan	222,726,781	5.86%
Deposits	407,527,134	2.29%
-Current deposits	167,399,261	0.60%
-Term deposits	240,127,873	3.52%



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

Categories of bonds	Nominal value of balance (RMB 10,000 Yuan)	Due date	Coupon rate %
2001 Book-entry treasury bonds	15000	2021.10	3.85
2003 Book-entry treasury bonds	10000	2018.10	4.18
2006 Book-entry treasury bonds	9000	2016.3	2.8
2007 Book-entry treasury bonds	55000	2017.3-2017.9	3.4-4.46
2008 Book-entry treasury bonds	36000	2018.3-2038.5	3.68-4.5
2009 Book-entry treasury bonds	301000	2016.6-2019.11	2.82-3.68
2010 Book-entry treasury bonds	375000	2017.3-2040.12	2.76-4.23
2011 Book-entry treasury bonds	591000	2016.12-2021.11	3.44-3.99
2012 Book-entry treasury bonds	454000	2017.2-2022.12	2.95-3.55
2013 Book-entry treasury bonds	891000	2016.1-2033.8	3.09-4.32
2014 Book-entry treasury bonds	55000	2024.12	3.77
2015 Book-entry treasury bonds	1572000	2016.1-2025.10	2.29-3.64
2011 Certificate treasury bonds	1089.39	2016.3-2016.11	5.75-6.15
2012 Certificate treasury bonds	923.04	2017.4-2017.10	5.32-6.15
2013 Certificate treasury bonds	4207.76	2016.3-2018.11	5-5.41
2014 Certificate treasury bonds	3162.01	2017.3-2019.11	5-5.41
2015 Certificate treasury bonds	1724.7	2018.3-2020.10	4.25-5.32
<b>Total</b>	<b>4,375,106.9</b>		

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

At the end of the reporting period, total loans of the Company reached RMB 284.175 billion. Given the PBOC five-category classification, there was RMB 277.014 billion in pass loans, with 97.48%, and RMB 3.474 billion worth of special mention loans, accounting for 1.22%. The last three categories of loans (non-performing loans) totaled RMB 3.687 billion, comprising 1.30%, down 0.01 percentage points and RMB 439 million more than the previous year. representing non-performing loan balance increased and non-performing ratio decreased. Substandard loans that increased by RMB 492 million with doubtful loans declined by RMB 148 million, with loss of loans reaching RMB 95 million.

At the end of the reporting period, the Company's foreclosed assets totaled RMB 17.497 million, with a increase of RMB 12.5 million.

Within the reporting period, RMB 507.05 million of non-performing loans were written off.

The Company took the following measures to solve and cut down non-performing loans: first, investigate and exclude individual business/operation assistance loan, large-amount bill discount, pure trading enterprise loan, private group (related-party) enterprise loan and other loans to check potential credit risks; second, investigate

and exclude high-risk loan, and work out quit in stages and supervise and implementation; third, foscus on clearing of large-amount non-performing loans, give play to resource advantages of clearing team, speed up disposal of collaterals, and make full use of and underwrite resource, take great measures to cut down all non-performing loans, forth, tighten up risk exposure to steel trade and adhere to the policies such as "support some while restricting others, treat with differentiation, alleviate risks and stick to the bottom line" to investigate and exclude asset clues for continuous preservation .

## (X) Foreclosed Assets

By the end of the reporting period, the balance of foreclosed assets was RMB 174.9739 million, in which balance for real estate, movable property and equity rights were RMB 148.8874 million, RMB 0.356 million and RMB 25.7305 million respectively.

## (XI) Overdue Outstanding Debt

None.



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

The Company faced various risk uncertainties. First, excess production capacity was still serious in some industries and could not be changed in a short time for industries like steel, non-ferrous metals, building materials, ship building and other heavy industries. Second, along with the speeding up of RMB internationalization process came a more complicated and changing FX and interest rate environment in China, which means a more stringent challenge to risk management level for banking Industries. Third, continuous growth of the interest rate market made comparative stringency in interbank market liquidation the new norm, which brought more challenge to liquidation risk management for the Company. Fourth, with more and more financial institutions clustering in Shanghai and greater fierce market competition, the Company faced a more heated market competition. Fifth, a breakthrough will be made by bank groups of diversified operations with banking as the main business. As a result, development of cross-region and cross-industry and non-local holding rural banks will challenge the Company's group risk management and consolidated risk management. Sixth, financial diversification strengthened the spread of market risk. The accumulation of shadow banking, trust and other partial market risk can easily lead to systemic risks, which makes the company's operating environment more complicated.

During the reporting period, the Company actively coped with economic situations and policy change, kept to two main lines of "seeking development and preventing risks", pushed forward structural adjustment in an orderly way. Priority in issuance of credit was given to SMEs, small and micro enterprises and individual customers matching with the Bank's financial service capacity within this year. Trade financing, bill business, intermediary business, medium, small and micro enterprise loans were developed in a sound momentum. The Company conducted firm and effective risk prevention and control and constantly strengthened management on concentration risk, effectively relieved risks in steel trade, photovoltaic and other key fields; controlled the aggregate volume in real estate development loan, platform loan; continued to improve implementation on new rules on loan release; made constant effort for case prevention; and the new generation bank system ran in orderly way. The Company put into implementation the regulatory indicators and requirements by further enhancing its professional risk management level, tracing, adjusting the relevant operation indicators in time, strictly controlling credit scale and reinforcing effort to affixing accountability. The credit structure was gradually optimized. Construction of community bank and internet finance was actively pushed forward for getting listed so as to lay a solid foundation for long-term growth.

**Countermeasures of credit risks:** First, adapt to the new norm of gaining far-reaching foresight of risk management. Print, issue and implement the Shanghai Rural Commercial Bank Policy on Credit Orientation in 2015, publish monthly macroeconomic analysis and industrial price index to further strengthen our research

of the macro economy and industry. Second, get perfect and make adjustment, establish parameter-based rules and systems for examination and approval authorization of corporate credit business. The Company implemented new credit examination and approval rules, imported post-risk adjustment exposure concept in rule setting, calculated post-risk adjustment exposure based on internal credit ranking, business types and guarantee modes of the clients, established parameter-based credit authorization structure in the system and effectively enhanced the scientificity of credit authorization. Third, we continually improve the effectiveness of risk management measures. Continue to push forward uniform credit system construction, enforce client credit risk management for individual corporate clients and group (related party) clients, practically prevent excess credit limits and excess credit approval. We improved the interbank credit risk control standards to promote stable business growth. In addition, by building the internal model, we collated interbank client credit mechanism, quota position, system control to gradually establish uniform credit monitoring mechanism for interbanking clients. Fourth, various credit product risk points were identified through omission checking and deficiency supply. Fifth, by constant monitoring, we intensified management of credit assets in high-risk fields to further improve the capacity of the whole bank for risk control in real estate projects. Sixth, we implemented all requirements of the regulatory bodies on regular statements and temporary investigation and research, organized all business lines to conduct self-evaluation on their implementation of green credit and report the relevant data in time. Seventh, we enforced our training to enhance risk awareness of grass-root business personnel. Our risk management level was enhanced through regulation training, system training, qualification training for risk managers, client managers and product managers.

**Countermeasures for market risks:** First, we strengthened our risk management mode, printed and issued Administrative Measures (Trial) of Shanghai Rural Commercial Bank on Evaluation of Post-Risk Management to define the post-risk evaluation objects, content, frequency and report routes. We evaluated our implementation of risk appetite strategies and credit direction policies of the Bank and perform revision from time to time. Second, we promoted market risk internal mode construction and completed the main part of project consulting of market risk internal mode, and initiated construction of market risk data mart and measuring system. Third, the Company improved rules and regulations on financial market business risks, printed and issued supporting risk management regulation system for Shanghai FTZ business, including management measures on credit risk, market risk and operation risk of sub-counting units; it also formulated Management Measures of Shanghai Rural Commercial Bank on Interest Rate Risks (Trial) and other rules and regulations in consideration of accelerated promotion of interest rate marketization process and increasing fluctuation of RMB FX rate this year to strengthen management on interest rate, foreign exchange rate of the whole bank; printed and issued Management Measures of Shanghai Rural Commercial Bank on Account Classification to define the criterion, base and duty division of trading accounts and bank accounts and to further

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standardize bank account classification management. Forth, the Company strictly implemented quota management requirements by measuring and monitoring market risk quota indicators each day and generating daily report of market risks in accordance with the quota indicators of market risks of financial market business determined by the Board in 2015.

**Countermeasures for operation risk:** First, the Company continually improved the compliance and operation risk management system. The Company revised Lists of Business Line Categories and Operation Risk Event Types to constantly improve the library of existing operation risks. It printed and issued Management Measures of Shanghai Rural Commercial Bank on Quitting of Outsourcing Service and Replacement of Outsourcing Service Providers (Trial) to further improve the risk management system. Second, the Company focused on collation and optimization of business processes to make the management of compliance and operation risks more pertinent and effective. We provided training to the business departments of the head office and collated RCSA processes, collected operation risk losses monthly to understand the operation risk losses of the Bank and further capture the operation risk points. Third, aided by advanced technologies, the Company created and improved the management environment of compliance and operation risks. We continued to explore and push forward technological management of compliance, did a trial operation of online management of IT contracts and successfully and automatically compared the standard form of contracts. We collected related data quarterly and made risk indicator panels. System functions were optimized to increase user experience and awareness of relevant departments of the head office. Fourth, we constantly improved compliance and operation risk management level based on IT. We intensified sharing of monitoring information and supervision of employee behavior. We intensified post-event supervision integration project of desk business and established uniform risk warning and monitoring system. We stably promoted audit methods and tool innovation, gradually set up audit technology platform and gave emphasis to off-site audit. Fifth, we implemented requirements of all regulatory policies and rules based on compliant operations. We strengthened cultivation of compliance culture, conveyed laws and rules and collated well the regular internal rules and regulations. Rectification and correction system was improved with emphasis on daily communication mechanism of key field monitoring. Special inspection on compliance was conducted to effectively push forward protection of rights and interests of the consumers. Sixth, we effectively warded off compliance and operation risks with case prevention and control as emphasis. To make clear case prevention responsibility and improve case prevention mechanism, we had a responsibility statement for case prevention targets signed by all levels to make clear the case prevention responsibility of all the staff. Inspection and supervision were made and accountability for violation was implemented. Seventh, guided by optimization of management mechanism, we made great efforts for outsourcing risk management. We printed and issued Management Measures of Shanghai Rural Commercial Bank on the Quitting of Outsourcing Service and

Replacement of Outsourcing Service Providers (Trial) to further improve the outsourcing risk management system. We constantly optimized and adjusted implementation rules for IT supplier management and set supplier classification standards. Daily management of outsourcing providers and daily outsourcing indicator monitoring were constantly strengthened. Eighth, with sustainable development as the target, we greatly enhanced business continuity management. Based on collating operation risk process, we conducted business impact analysis of main business departments of the head office and preparation for a business continuity plan. We intensified emergency management of information systems, organized emergency drills of various information systems. We revised and improved relevant plan cases and organized special drills.

**Countermeasures for liquidity risks:** Liquidity coverage rate indicator of the Group was 130.76%, of which qualified and high-quality liquidity assets were RMB 59.583 billion, net cash outflow was RMB 45.567 billion; corporate liquidity coverage indicator was 111.75%, of which qualified and high-quality liquidity assets were RMB 57.674 billion and net cash flow out was RMB 51.611 billion. First, the Company improved its treasury function, updated capital management process, daily statement of increased position to fully reflect the capital position of the whole Bank. The new required reserve assessment method was evaluated and strategy of reserve for payment was adjusted. Second, liquidity risk stress test was conducted quarterly and reported to high management for quantified guidance for liquidity safety of the whole bank. Third, emergency drill plan was prepared for annual short-term liquidity risks. Emergency handling capability was enhanced through drills throughout the Bank. Fourth, Capital Management Measures of SRCB were revised and improved to further intensify the internal liquidity risk management of the Group. Fifth, dedicated staff was appointed to estimate and monitor liquidity risk indicators, in which, key timing was estimated to ensure regulatory requirements and internal audit requirements were met. Sixth, we further improved FTZ liquidity risk management system by formulating capital management process for FTZ and supporting orderly implementation of FTZ business innovation and guarantee business. Seventh, we initiated new generation assets-liabilities system construction to use the system power to enhance our risk measurement, monitoring and early warning level.

**Countermeasures for compliance and legal risks:** In terms of compliance risk, first, we strengthened our coping capacity for external environment and regulatory policies and made more effort for monitoring and evaluating the implementation of regulations of the superior; second, in light of the external regulatory documents, we actively conducted special compliance inspection, proactively identified and evaluated compliance risks relating with operation to reduce potential risks; third, we intensified rectification and correction and conducted omission checking and deficiency supply in time to enhance capacity to comprehensively cope with various risks; fourth, we increased support for compliance of new products and new business and convened audit committee for products and services for 13 times to examine 39 new products; fifth, we built a compliance

management network of "three defense lines" composed of business lines, compliance functions and audit departments; sixth, we intensified compliance culture construction, enhance compliance capacity of staffs, organized and conducted compliance education in all categories and levels and knowledge contest on compliance and case prevention. In terms of legal risk, first, we organized members to attend external meetings like those organized by the enterprise legal counsel associations, Shanghai Bar Association and Professional Committee for Legal Compliance of Shanghai Banking Association and others, and attend trainings recommended by banking associations, association of financial market institution investors, supreme people's court, units entrusted by CBRC, and banking association to enhance our legal service capacity through exchange and learning. Second, we reinforced management of lawyer bank. We supplemented our lawyer bank in time and in light of business development demand and we incorporated into our lawyer bank the lawyer offices recommended by business departments and qualified in evaluation. At the same time, we made comprehensive assessment on legal service provided by lawyers in terms of use

and management and managed the lawyer bank in an open and dynamic way for survival of the fittest. Third, we further put emphasis to demonstration and guidance roles of contract text. We recognized reference contracts and demonstration contracts in light of business development demand, and increased number of reference contracts and demonstration contracts for reference by business departments in business development, increased efficiency of legal service while reducing potential risks in regular businesses.

**Countermeasures for reputation risk:** We worked out risk prevention mechanism plans, performed an evaluation on the potential reputation risk before designing new products, providing new service and changing charge items, provided early risk disclosure and raised countermeasures so that reputation risk could be prevented from the source. We continued to give training on reputation risk management and strengthened interbank exchange. We focused on client appeals and public opinions, responding to negative public opinions in a timely manner. We further improved our services to protect finance consumers' rights and interests.

## IV. Analysis of Financial Status and Operating Results

Unit: RMB 1000 Yuan

Items	The Bank			
	2015-12-31	2014-12-31	Increase/decrease	Primary reason
Total Assets	565,112,647	466,600,941	98,511,706	Expansion of operating scale
Long-term investment on equity	1,659,230	1,431,941	227,289	Increase in long-term equity investment
Bond Investment	105,771,820	75,382,947	30,388,872	Increase in bonds held
Fixed Assets	6,541,396	6,545,090	-3,694	Decrease in fixed asset investments
Total Liabilities	523,565,008	429,903,049	93,661,959	Increase in deposits and initiative liabilities
Owner's equity	41,547,639	36,697,892	4,849,747	Increase in undistributed profits
Operating Profit	6,865,398	5,663,655	1,201,743	Increase in non-interest income
Investment Income	2,043,120	750,069	1,293,051	Expanded bond investment scale
Net profit attributable to shareholders of the parent company	5,466,082	4,704,536	761,546	Expanded interest-earning asset scale

## V. Serious Asset Loss Caused by Joint Liability and Guaranteed Loss to Any Other Party

None.

## VI. Serious Asset Loss Caused by Operational Risk

None.

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

First, interest rate liberalization was deepened. Upper limits on deposit interest rate pricing were fully opened, which represented as a key step to interest rate marketization. From foreign practice, deepening of interest rate marketization will adversely impact interest rate spreads, especially since it requires more operation and pricing capacity of medium and small commercial banks.

Second, significant trends in Financial Intermediaries With the third party payment and internet finance entering stable development stage, settlement and debt businesses, the most basic businesses of banks, are further nibbled. Gradual maturity of capital market development makes more diversified the direct financing channels of enterprises. 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, and make traditional banking deposit and loan businesses face extrusion in an increasingly serious way.

Third, economic structural transformation was sped up. Currently, China's economy is in weak balance, with a slow-down of the GDP growth, decreased demographic dividends, falling investment speed and sluggish foreign trading. Reform on supply side directs economic structural transformation toward upgrading of the high-end manufacturing industry and modern service industry. Backward capacity is bound to be eliminated in an accelerated way. Economic transformation brings about both opportunities and risks, with opportunities coming from strategic emerging industry development and increased citizen consumption level. Risks may arise from increasing economic downward pressure, excessive capacity in some industries.

## VIII. Business Development Plan for the New Year

### (I) Guidelines for business development for the new year

We will deeply implement the spirit in the Central Economic Working Conference and the 10<sup>th</sup> Plenary Session of the 10th Shanghai Municipal Party Committee, push forward business transformation with clients as the center, promote business development with comprehensive marketing methods, serve target customers with innovative financial products and services, improve customer experience through high-efficiency process management, enhance client service capacity in an overall way

and exert full effort to become a service-oriented bank. Taking operations revenue as the starting point of all work, we will lay down a sound financial foundation in order to become a publicly listed company soon during the "13<sup>th</sup> Five-Year Planning" period. The Company provides the stage for employee development and creates maximum value for shareholders.

### (II) Main business targets for the new year

—Net profit will be RMB 5.8 billion, with a growth rate of 10.3%. Target return on assets will be 0.95 % and return on equity will be 13%.

—The daily deposit balance will be RMB 454 billion, with an increase of 11.4%. Increase in deposit balance at the end of the period will be RMB 55 billion and reach RMB 480.9 billion, with an increase of 12.9%. Of which, the RMB corporate deposit balance will increase by RMB 36 billion to RMB 261.3 billion. The RMB individual deposit balance will increase by RMB 16 billion to RMB 212 billion. The deposit balance in foreign currency (converted into RMB and including cross-border RMB) will increase by RMB 3 billion to RMB 7.6 billion.

—Self-operated loan deposit will increase by RMB 39.7 billion to RMB 270.3 billion with an increase of 17.2%, among which, retail loan (including individual loans, credit card loans and small and micro loans less than RMB 5 million) will increase by RMB 14.7 billion.

—Income from Intermediaries will be RMB 2.177 billion with an increase of 33%.

—Operating expenses will be controlled at around RMB 5.55 billion and the cost-income ratio will be less than 38%.

—Recovered off-balance sheet with a non-performing target amount of RMB 220 million.

### (III) Main development targets in the new year

#### Corporate banking

We will actively promote and innovate the "3 Agriculture" financial service to consolidate, deepen bank-enterprise relationship with agriculture-related enterprises, support reconstruction of old villages, reform of rural land system, expand pilot mortgage loans of rural land contracting operation rights and enlarge agriculture-support service effect. We will continue to plan industrial adjustment and business direction based on "the 13th Five-Year Planning", strengthen park expansion, optimize park special financing products so as to provide enterprises with more improved, comprehensive financial service solutions and support real economy development. We will continue to combine with "four new" economy development, build enterprise project

library and cultivate high-quality customers. By optimizing structural distribution of credit resources throughout the Bank and making use of advantages in technology, institution and reputation, we will promote new business development, and perform cross-region cooperation in syndicate loans and M&A. We will continue to promote enterprise cash management business, improve relevant function modules to increase system use ratio and business trading volume and enhance customer satisfaction. We will reinforce innovation of corporate financial products, dig out industrial financial demands, promote process operation and smart service, cultivate expert teams to serve customers and make the corporate financial service bigger and stronger.



#### Retail banking

Based on the basic orientation as a community bank, we will take advantage of the construction of three platforms to steadily promote traditional liability and retail asset business, increase revenue from intermediate fees, actively expand specialized businesses, promote business transformation and further enhance the profit contribution from retail business. We will intensify innovation of saving products, optimize deposit product maturity structure, enrich deposit product types; expansion will be also made for batch businesses like agency service for social security, payment of salaries and issue of union cards as an agent. We will make great efforts for consumption loan business, accurately determine high net worth asset clients, grant in advance the loan limits for clients through data mining, analysis and calculation of limit module; we will push forward the development of the mortgage loan business, further improve retail loan mobile terminals, expand business acceptance, withdrawal and repayment for electronic channels. Wealth management product lines will be further improved for high net worth client groups to enrich the sales of wealth management products as an agent of products like capital management, funds and insurance. We will further optimize debit card functions, provide exclusive mobile lifestyle service, prepare for the development of "cloud-based

payment" products, actively promote the wristband service, intensify cooperation with third party payment institutions, continue to promote online acquisition business, mPOS acquisition business and third party acquisition business for bank cards. We will constantly promote community bank construction, actively expand community financial products. Through smart network platforms, mobile banking and other channels, we will provide tailored loans, wealth management products, fund supervision, insurance and other dedicated products for direct second-hand house customers for linkage with existing union cards, housekeeping cards and community cards and other products. We will continue to organized large marketing and advertising activities like Lantern Festival, financial convenience store version 2.0, and issue "family passports" in cooperation with 21boya.cn, organize marketing and advertising for primary and secondary students.



#### Trade financing

We will maintain our leading edge as a rural small and medium financial institution. We will stably increase contribution of profit to the trade financing business by intensifying cooperation with agent banks, strengthening marketing, products and service system construction for trade financing. The Company will expand its basic customer group of trade financing with medium customers as the base while also considering large and small customers. We will promote new products and expand new channels and make full use of product portfolio of domestic, international trade settlement, FTZ and cross-border RMB business to satisfy demands of key customers for cross-border financing and "going out". We will depend on FTZ to actively perform cross-border financial services. We will keep closely monitoring innovation policy trend of FTZ, perform service innovation and product innovation in an orderly way to drive the whole banking industry for cross-border business development.

#### E-banking

First, we will enrich the functions of "Xinhushang.com.cn" financial community and build a financial enterprise ecosystem integrated with internet marketing, e-office and payment financing. Second, we will continue to develop direct sale banking business; and by focusing on interbank cooperation market segment of rural credit institutions, we will actively cooperate rural credit financial institutions of other provinces and cities, enrich the business functions of "Xin Yi Payment" and complete



online financing system and go online. Third, we will promote the revision of mobile banking version 3.0, complete construction of mobile-version e-shop and complete supporting channel function construction for HCE cloud payment; launch tailored inter-bank payment and level-II clearing plan and build email delivery system. Fourth, we will realize self-service machines with marketing features, rural credit bank 2nd generation payment system access, and electronic coded lock applications Fifth, we will continue to improve full-business regulation system, strengthen operation and management of early warning system, optimize risk monitoring and early warning system for both client end and teller end. Sixth, we will continue our effort for internet marketing and promote brand development.



#### Credit cards

Based on payment business, we will continue to promote construction of "internet+" and mobile payment, conduct active research on HCE and other mobile payment business modes, introduce Zhima Application and other third internet credit reference and intensified business innovation. For value-added business growth, we will improve our value-added service system for high-end card products and enhance customer experience. With asset business as the key, we will make great effort to market key installment businesses represented by Xinfujin, Xinyijin and Car purchase installment to meet customer demands. We will expand our platinum business card, through value-added services, channels marketing channels and other business services, to increase source of intermediate business income. We will promote marketing channel construction, maximize marketing support, telephone marketing, stationary marketing and others, expand internet marketing and other new types of customer-attracting channels, and support business development and advertising. We will strengthen risk management, explore and master more measures and means for risk control to promote sound and rapid business development.



#### Financial markets

With profit orientation and concentration on the main line of transformation development, we will consolidate our advantages in traditional business, proactively get involved in innovative product trading, intensify cross-linkage mechanism, further enhance our capacity for financial market business to cope with market changes. First, we will consolidate traditional business advantages and enhance financial market operation. Second, we will actively participate in market innovation and explore new business development highlights. Third, we will put a lot of effort in asset management development, and increase both the scale and revenue. Fourth, we will strengthen our brand as a bills business, complete discount product series, to effectively support financing demands of the real economy.

#### Interbank business

We will make liability business bigger and stonger, make asset business real and refined and investment banking deep and thorough through promoting development from transformation, promoting innovation from development and building teams from innovation. We will manage interbank assets, interbank liabilities and interbank intermediaries at the same time to significantly increase income from our intermediary business. First, we will make great effort for interbank cooperation with non-bank financial institutions with a view of leveraging external force for development and innovation on the basis of supplementation and filling; second, through linkage between head office and branches, between external and internal banks, between local and non-local, we will establish our base in Shanghai and radiate towards the financial markets of the whole country; third, we will further intensify internal management, increase internal strength and build a direct sale team for business development, realize business transformation by measures on customers, products, internal management, team development and others.

#### Intermediate business

We will establish an intermediary business promotion committee to make full promotion of business innovation and transformation development. We will strengthen government funds, guarantee funds, securities, trust and interface with credit customers of the bank to increase intermediary business income source through fund management, wealth management,



non-standard products, credit granting and other structural financing. We will further improve enterprise cash management, "Xin bank-enterprise connection" multiple-bank capital management, group account "intraday overdraft", POS subcount management, local collection, unit settlement card and other functions to increase non-interest income. Domestic credit card and forfeiting business will be greatly promoted to increase the scale of domestic trade financing. We will maximize our portfolios for domestic, international trade settlement, FTZ and cross-border RMB business to satisfy key customer demands for cross-border financing and exit. We will speed up construction of e-banking channels for foreign exchange forwarding and trading of products. 7. Asset Management Services After comprehensive consideration of cost and benefit, we will increase sale scale of open, net value and interbank products, enhance sale coverage of internet platform products, improve high net worth customers and tailor customer e-banking functions. To deepen investment strategy of general asset portfolio, we will strengthen cooperation with interbanks, government funds, private equity funds on the premise of asset safety and stable revenue. We will deepen and enhance the service and support of e-banking for the business of the company, promote electronic, internet and mobile processing for customers of all businesses of the Bank, and complete project development like mobile banking version 3.0. Traditional electronic channels will be upgraded for electronic channel business marketing and concentrated control of risks. We will promote interfacing between e-business platform and customer, construction of new short message marketing passageway.

### Corporate development

We will persist on total control, structural adjustment through optimization of branch distribution and placement strategies, guided by the promotion of branch quality, placing emphasis on branch service and marketing capacity and increasing our capacity for branch value creation.

### IT development

Operation and maintenance will be deepened to safeguard the safe, stable operation of the production system with the application of the core accounting system at a rate of not less than 99.95%. We will strengthen service and support of business lines and branches and subbranches, support marketing expansion and business innovation. We will improve the IT management process, build standardized, refined matrix mode for technology management. We will further enhance our capability for independent R&D and scientific and technological innovation, initiate construction of technology innovation lab and technology innovation experience center. We will explore, improve and optimize system structure, and research core, parallel and highly feasible plans Disaster recovery system will be improved continuously to increase the efficiency and reliability of disaster recovery switches. We will enhance comprehensive use rate of IT resources and save cost of IT construction and operation. We will place emphasis on team cultivation, encourage to master

core technology, take the lead in researching on technological difficulties and enhance work initiative and sense of responsibility.

### Management of rural banks

Focusing on new round of development strategy and development requirements for rural banks and directed for capital profit rate, we will accurately understand economic and financial situations and industry development trend, insist on stable operation, strictly hold risk bottom line and promote sustainable and sound development of rural banks. We will make smooth and clear the management modes of rural banks for effective management of rural banks in credit, finance and personnel in accordance with requirements of "establishment in batches, intensive management, professional service"; being problem oriented, we formulate targeted management measures based on differences of rural banks to improve management flexibility; we will assess the sustainable development capacity of rural banks in a comprehensive manner and prepare a dividend scheme reasonably; we will optimize our evaluation indicator system for operating teams of rural banks to stimulate the cadre staff's work enthusiasm and business potential; we will explore effective financial management modes and optimize the budget management mechanism, and direct rural banks to complete the "change from business tax to VAT" according to arrangement of financial enterprises; we will intensify cooperation with small and medium-sized financing companies and third party companies to promote small micro financial centers, convenience terminals, benchmarking network projects to enhance our capacity for small and micro enterprises and agriculture; we will optimize the network financial service functions, interface with resources of main shareholders, improve the online product channels, and strengthen the upper and lower linkage marketing; focusing on development trend of "intelligence" and "pan-function" of physical outlets, we will improve inclusive finance service network with physical outlets as basic support and internet IT as main reliance; we will continue with our risk director system, perfect the system of the Board of Directors for credit authorization, give play to credit business assessment team in all levels and optimize risk management structure; we will intensify publicity and communication of rural banks, strengthen background support from science and technology systems, increase efforts for training courses, continue early warning, monitoring and business line checking and audit to help rural banks to enhance their management level.

### Risk management

Centered upon reform and innovation, we will further improve our risk management system, 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, gain further foresight into risk management, ensure the risk bottom line and promote balanced development of traditional business and new business. First, new asset agreement will be steadily implemented, internal evaluation

results will be disseminated and applied throughout the Bank, RWA project and corporate loan risk pricing project will be completed. Second, we will optimize our risk management structure, improve our matrix and embedded risk management coverage, and promote development of new business. Third, we will optimize differentiated examination and approval authorization, formulate management measures on credit operation qualification for grass-root operating institutions to further polish their management skills. Fourth, we will deepen promotion of credit risk management, continue to improve the risk management regulation system, improve credit risk management mechanism for full-business types, intensify credit risk management on full-caliber investment and financing and institutional customers of off-balance sheet financing, agency investments, bond underwriting and investment and leasing business and prevent passing on of off-balance sheet business risks into businesses' balance sheets. Fifth, risk management will be strengthened for real estate development loans, loans with local government background, credit extended to excess production capacity industries, and other key fields. Sixth, the system's support for credit business will be increased. Seventh, we will continue to promote market risk management, complete market risk management information system construction and build the uniform credit monitoring mechanism for financial market business. Eighth, operation risk management will be pushed forward further. Based on process collation, implementation and utilization of the three tools will be promoted, and process collation and the business continuity management system construction will be boosted.

#### Internal Controls

First, we will implement all measures to constantly enhance our case prevention level. We will speed up construction of case prevention regulation system, intensify supervision and management on implementation of internal regulations and construction of the "three defense lines" by branches, repair loopholes in business operation and internal management to ensure all regulations will be in line with requirements on business development and risk control

and will be implemented properly. We will strengthen management on employee behaviors and conduct constant research and innovation on the management methods for employee behaviors. Case investigation and exclusion will be intensified for credit business, cross-industry cooperation business, large-amount deposit management and employee participation in private financing, private product sale and capital brokerage and other high-risk fields. Accountability for violation of regulation will be strengthened to increase case prevention and effectively prevent moral risks. We will speed up development and construction of case prevention system, make in-depth analysis on traditional business cases to identify regulation loopholes, increase safety control of IT comprehensive business handling system; collate implementation of case prevention and internal control process for emerging businesses, make supplementation and improvement of regulations, formulate targeted risk prevention measures, embed case prevention management in information system and enhance case prevention capacity in terms of mechanism and technology. Second, we will continue to perfect internal control management with improvement of rectification and correction mechanism as the key work. "Two implementation": We will improve our internal control system by implementing Guidance on Internal Control of Commercial Bank and Internal Control Policy of Shanghai Rural Commercial Bank. "Two regulations": We will smooth out the rectification process, revise Management Measures on Rectification and Correction of Internal Control, Operation Instruction on External Inspection, Rectification and Correction to further make clear all requirements on rectification. "Two systems": we will increase rectification efficiency, intensify supervision on application of rectification system, upgrade and improve rectification and correction modules in the GRC system. "Two points for attention": we will increase rectification effectiveness, pay constant attention to projects with uncompleted rectification, intensify accountability for rectification, incorporate relevant rectification and correction into assessment.

### Compliance management

First, we will optimize support of business compliance to support innovation. We will give full play to supervision and interfacing of compliance, actively follow up changes in various regulatory laws, analyze influence of changes in regulatory laws and rules upon the Company's operation; learn and concern new businesses, make application for qualification for innovation business, put into serious implementation the duties of product and service committee office, intensify compliance examination and risk evaluation on new products and new businesses, cultivate a sound compliance culture, continue to compile and distribute content on compliance media, organize and hold knowledge contest on compliance and case prevention. Second, we will promote implementation of legal work with serving the bank as the core. We will intensify management on external "brain bank" service, further refine management on non-lawsuit lawyer library; give law training, intensify lawyer training and increase trainees; enrich law risk management methods, effectively improve law risk management modes; constantly promote IT application for law risk management. Third, we will promote consumer protection with publicity and education as the main measures. We will continue publicity and education for consumers; strengthen customer complaint management, establish uniform financial consumer complaint handling mechanism for the whole bank; conduct employee business training, star outlets election, actively participate in all consumer protection activities organized by external organizations.

### Talent workforce

We will continue to improve our HR system, intensify construction of cadre and talent team according to the development strategy. We will strictly implement all regulations, further improve the personnel mechanism, conduct strict selection and appointment of cadres, promote marketization and contract-based management of cadres, promote cadre job rotation and exchange, and intensify cultivation of reserve talents to ensure orderly promotion and demotion of cadres in all levels. We will optimize performance-based assessment and allocation systems and give full play to positive incentive functions. We will further improve appraisal and engagement system for business lines for dual-channel development of employees; explore incentive modes in multiple levels, work out differentiated incentive plans, establish and vitalize mechanism for existing talents, talent use and core talent retention. Internal talent market will be established and public recruitment and internal training will be combined to speed up the formation of a high-quality team.

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# 2

**Promote business development with comprehensive marketing devices**

**Serve target clients with innovative financial products**

**Improve customer experience with efficient process management**

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# Changes in Share Capital and Shareholders

Changes in Share Capital

Shareholders



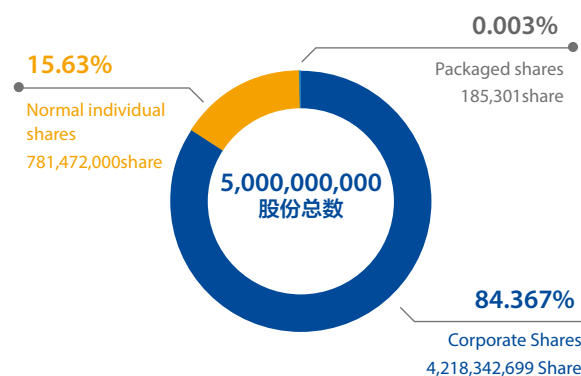
## I. Changes in Share Capital

### (I) Capital structure table

Unit: Share(s)

Type of Shareholder	Number of Shares	Percentage to total capital
Corporate Shares	4,218,342,699	84.367%
Normal individual 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 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 shares

At the end of the reporting period, the Bank had a total of 24,672 shareholders, of which 220 were corporate shareholders, 24,451 were individual shareholders and 1 was a holder of packaged shares.

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

Unit: 10,000 shares

No.	Shareholder's Name	Nature of Shareholder	Shareholding ratio	Total number of shares	Increase/decrease during the Reporting Period
1	Australia and New Zealand Banking Group Limited	Foreign Corporate Shares	20.00%	100,000	-
2	Shanghai State-owned Assets Operation Co., Ltd.	State-owned Corporate Shares	10.00%	50,000	9,953.93
3	China Pacific Life Insurance Co., Ltd.	State-owned Corporate Shares	7.00%	35,000	-
4	Shanghai International Group Co., Ltd.	State-owned Corporate Shares	6.02%	30,092.14	-9,953.93
5	Shenzhen Lenovo Service and Technology Park Co., Ltd.	General Corporate Shares	5.73%	28,655.39	-
6	Rizhao Steel Holding Group Co., Ltd.	General Corporate Shares	4.90%	24,500	-
7	Shanghai International Group Assets Management Co., Ltd.	State-owned Corporate Shares	4.47%	22,354.84	-2,172.10
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	-
10	Shanghai Shanxin Real Estate & Development Co., Ltd.	General Corporate Shares	1.32%	6,600	-
<b>Total</b>			<b>67.45%</b>	<b>337,225.41</b>	<b>-2,172.10</b>

Relationship between the abovementioned 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

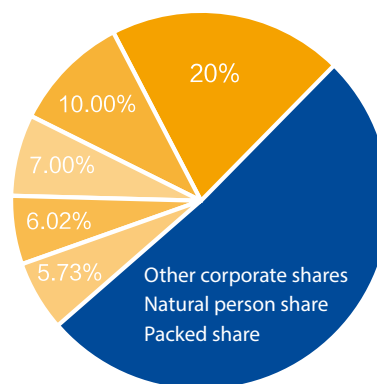
**1. Australia and New Zealand Banking Group Limited (ANZ)** holds 20% shares of the Bank. Established in 1835, the company has a long history, spanning 180 years. ANZ is one of the four major banks in Australia and is also the largest bank in New Zealand and the Pacific region, ranked among the top 50 global banks. Headquartered in Melbourne, Victoria, Australia, ANZ's service network covers 34 countries like Australia, New Zealand, Asia, the Pacific region, Western Europe, North America, and the Middle East. With around 10 million consumers and 50,000 employees, ANZ enjoys an AA credit rating from three major credit rating agencies with a market capitalization of AUD 70.11 billion in January 2016.

**2. Shanghai State-owned Asset Operation Co., Ltd.** holds 10% 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 5.5 billion with assets totaling RMB 70 billion. With asset management at its core, the company makes investments through marketization and acquires as well as disposes non-performing assets of the business in batches.

**3. China Pacific Life Insurance Co., Ltd.** holds 7.00% shares of the Bank. The company was established in November 2001 with China Pacific Insurance (Group) Co., Ltd. as its holding company with a registered capital of RMB 7.6 billion. It is primarily engaged in the life insurance business, including life insurance, health insurance, personal accident insurance and re-insurance of such business, as well as use of funds as stipulated in the Insurance Law and relevant laws and regulations, and other businesses as approved by the China Insurance Regulatory Commission (CIRC).

**4. Shanghai International Group Co., Ltd. (SIG)** holds nearly 6.02% shares of the Bank. It is a solely state-owned company established in April 2000, with a registered capital of RMB 10.56 billion. SIG performs three major functions; namely, investment and holdings, capital operation, and state-owned asset management. The Company is authorized by the Shanghai Municipal People's Government to invest (with emphasis on financial investment) and support capital operation, asset management and other services.

**5. Shenzhen Lenovo Science and Technology Park Co., Ltd.** holds 5.73% shares of the Bank. Established in April 2001, the company maintains the following business scope: smart informationalization research of property, information network technology development, research in electronic communication technology (excluding restricted projects). It also leases self-owned properties.



Overall proportion of main shareholders holding over 5% shares



# Directors, Supervisors, Senior Management and Employees

Board of Directors and Supervisors and Senior Management

Work Experience of Directors, Supervisors and Senior Management

Changes in the Board of Directors and Supervisors and Senior Management

Remuneration and Incentive Mechanism

SRCB Staff



## I. Board of Directors, Supervisors and Senior Management

Position	Name	Sex	Year of Birth	Date of attendance	Remuneration (√)	Number of shares (shares)
<b>Members of the Board of Directors</b>						
Chairman	Ji Guangheng	Male	1968	2016.1.14 - Present	√	
Vice Chairman	Xu Li	Male	1967	2016.1.14 - Present	√	
Employee Director	Shen Xunfang	Male	1958	2009.9.8 - Present	√	500,000
Director of Shareholders	Nigel Henry Murray Williams	Male	1962	2014.4.30 - Present		
Director of Shareholders	Alistair Marshall Bulloch	Male	1957	2009.9.8 - Present		
Director of Shareholders	Deng Weili	Male	1964	2014.4.30 - Present		
Director of Shareholders	Wang Weihua	Male	1967	2011.4.29 - Present		
Director of Shareholders	Yu Zhongmin	Male	1957	2014.4.30 - Present		
Director of Shareholders	Chen Shuai	Male	1974	2014.4.30 - Present		
Director of Shareholders	Xue Jian	Male	1965	2011.3.16 - Present		
Director of Shareholders	Zhang Liping	Male	1953	2014.4.30 - Present		
Director of Shareholders	Chen Gang	Male	1965	2014.4.30 - Present		
Director of Shareholders	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		
<b>Members of the Board of Supervisors</b>						
Chairman of the Board of Supervisors	Sun Jianping	Male	1957	2014.12.29 - Present		
Supervisor of Shareholders	Wu Zhenlai	Male	1950	2009.9.8 - Present		50,000
Supervisor of Shareholders	Zhu Peilan	Female	1975	2011.4.29 - Present		
Supervisor of Shareholders	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		
<b>Senior management</b>						
President	Xu Li	Male	1967	2016.1.14 - Present	√	
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 Information Officer	Zhou Hengchang	Male	1965	2009.9.8 - Present	√	500,000



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

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

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

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

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

**Nigel Henry Murray Williams**, male, born in September 1962, is a New Zealander with a Bachelor's Degree in Business. Mr. Williams serves as the chief risk officer of ANZ, director of ANZ Bank (New Zealand) Co., Ltd, and director of SRBC. He previously worked at the credit department, global marketing department, capital department and operation department of BNZ. He was the former general manager of ANZ's institutional banking service in ANZ (NZ) and Managing Director of the institutional banking service of ANZ (Australia).

**Alistair Marshall Bulloch**, male, born in Nov 1957, Bachelor Honours Degree. He is currently the managing director of strategic partnership between the Asia-Pacific region and Europe as well as the institutional banking service line of Australia & New Zealand Banking Group Limited; director of ANZ (China), president of ANZ Rural Bank in Liangping Chongqing, president of ANZ (Taiwan), president of ANZ (Vietnam), president of ANZ Royal Bank (Cambodia), president of ANZ Insurance Brokers Co., Ltd., president of Votrait No. 1103 (a subsidiary of ANZ) and director of several ANZ subordinate bodies and foreign investment institutions (including director of Shanghai Rural Commercial Bank). Mr. Bulloch previously served as CEO of ANZ North East Asia and Hong Kong, Deputy CEO of ANZ Asia Pacific, Europe and America, Managing Director and Senior Consultant of ANZ

Asia Pacific, Director of Wholesale Banking at Standard Chartered Bank South Korea, and Customer Relations Director of Standard Chartered Bank China and Taiwan.

**Deng Weili**, male, born in September 1964, Ph.D. in Economics. 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., General Manager of Shanghai National Investment Management Co., Ltd., Director of Guotai Junan Securities Co., Ltd., and Director of SRCB. Mr. Deng previously served as a lecturer, Secretary of the General Party Branch of Management Science Department at Fudan University, Associate Professor of the School of Management at Fudan University, Deputy Director of the HR Department and Director of Talent Introduction Office at Fudan University, Deputy General Manager of Shanghai Tiancheng Venture Co., Ltd., Deputy General Manager, General Manager of Shanghai Guoxing Investment Development Co., Ltd., Vice President of Shanghai State-owned Asset Operation Co., Ltd.

**Wang Weihua**, male, born in Nov. 1967, Ph.D. candidate, Economist, CFA. He is currently the investment director and chief of the asset management center of China Pacific Life Insurance Co., Ltd.; director of the Bank of Hangzhou, committee member of CITIC Private Equity Funds Mezzanine Funds Committee, supervisor of CI-INV Co., Ltd. and director of SRCB. He previously served as an assistant geologist of the Henan Office of Geology the First Geological Survey Team, Deputy Director of the new service office of CMBC Shenzhen Management Department, Deputy Head and Head of the Investment Division of the National Council for Social Security Fund of the People's Republic of China, Head of the fixed income department of the Investment Division of the National Council for Social Security Fund of the People's Republic of China, and Deputy Inspector of the Investment Division of the National Council for Social Security Fund of the People's Republic of China.

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

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Committee of Shanghai Securities Co., Ltd. and General Manager of Financial Management at Shanghai International Group Co., Ltd. headquarters

**Chen Shuai**, male, born in March 1974, Master's Degree in Business Administration. Mr. Chen serves as Managing Director of Hony Capital Investment (Tianjin) (LP), 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 Senior Finance Officer of Wumart Stores Inc., Investment Manager of D'Long International Strategic Investment Company's Investment Department and Urban Strategic Logistics Department.

**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.

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

**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 AJC Co., Ltd and Director of SRCB. Mr. Chen previously served as Project Manager of the 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 Shanghai State-owned Assets Operation Co., Ltd. under the President's Office, Executive Vice President of Hong Kong Dingtong Investment Co., Ltd., Shanghai State-owned Assets Operation Co., Ltd.'s Director of HR, Shanghai International Group Co., Ltd.'s Deputy General Manager, HQ Admin General Manager and HQ Investment General Manager, SIG Asset Management Co., Ltd.'s Party Committee Deputy Secretary and General Manager.

**Wu Zhengkui**, male, born in October 1974, Master's 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., Director of Greenland Hong Kong Holdings Limited, Director of Greenland Rundong Auto Group Limited, Director of Guizhou Construction Engineering Group Limited, Nanjing State-owned Greenland Financial Center Co., Ltd., Supervisor of Greenland Financial Investment Holdings Limited, Supervisor of Orient Securities Company Limited, CFO of Shanghai Xinhua Distribution (Group) 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 degree 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, junior college graduate, Senior Economist. Mr. Su is currently the Independent Director of SRCB. Mr. Yu previously served as Chief of Planning-Credit Section of the People's Bank of China, Bazhou Branch Deputy Chief of 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 Financial Services at the People's Bank of China, Shanghai Headquarters.

**Liu Hongzhong**, male, born in June 1965, Ph.D. candidate. Mr. Liu is currently Dean 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 of 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, Deputy to the 14th National People's Congress of Shanghai, Director of the All-China Lawyers Association, Executive

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

## (II) Supervisors

**Sun Jianping**, male, born in Feb. 1957, on-the-job postgraduate degree with Ph.D. in Management. Mr. Sun is currently the Chairman of the Board of Supervisors of SRCB. He was previously the director of both the Secretariat and Liaison Office of the Shanghai Municipal People's Government, deputy director and Party Committee member of the Shanghai Information Office, Mayor of Songjiang District in Shanghai, Secretary of Hongkou District in Shanghai and Secretary of Jing'an District in Shanghai.

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

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

**Lu Changsheng**, male, born in July 1959, junior college graduate. Mr. Lu is currently the 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 SRCB Supervisor. 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 Supervisor (General Manager level) and Supervisor of SRCB. Ms. Li previously served as Assistant General Manager and Deputy General Manager of ICBC Shanghai Branch's Auditing Department, Vice President of ICBC Jinshan Sub-branch, and General Manager of SRCB's Auditing Department.

**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, junior college graduate, 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, junior college graduate, Senior Economist. Mr. Wu is currently an 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, Ph.D. candidate, Professor and Doctoral advisor. Mr. Jiang is currently Director and Doctoral Advisor of the Professors' Committee at the School of Public Economics and Administration, Director of the Public Policy Research Centre at the Shanghai University of Finance and Economics, and an 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

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

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

**Ye Guorong**, male, born in November 1957, MBA, and Accountant. Mr. Ye currently serves as Vice President of SRCB. He previously served as President of Huanlong Branch, and President of the Main Branch of Bank of Shanghai in Zhabei District, and General Manager of the Bank of Shanghai's Accounting and Settlement Department.

**Li Jin**, male, born in June 1963, bachelor's degree, Senior Economist. Mr. Shen currently serves as Vice President of SRCB. Mr. Li previously served as Chief of the Cooperation Division of CBRC Shanghai Office, Chief of the Supervision Division of a Rural Commercial Bank, Chief of the Supervision Division

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of a State-owned Bank, Chief of the Supervision Division of Bank of Communications, and Chief Supervisor of the Bank of Communications (Deputy Inspector).

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

**Shi Meiliang**, male, born in March 1963, MBA. Mr. Shi currently serves as Vice President of SRCB. Mr. Shi previously served as Minister of the Shanghai Municipal Regional 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.

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

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

Mr. Hu Pingxi, Chairman of the Second Session of the Board of Directors, resigned as Chairman on 1 Apr. 2015 due to age. Mr. Hou Funing, the President and Deputy Chairman of the Second Session of the Board of Directors, resigned as President and Deputy Chairman in Nov. 2015 due to personal reasons. At the First Extraordinary General Meeting convened on 25 Dec. 2015, Mr. Ji Guangheng and Mr. Xuli were elected as Directors of the Bank for a term starting from the approval date of the Shareholders Resolution until the Second Session of the Board of Directors meeting based on relevant documents from the Municipal Party Committee and Municipal Government. During the First Extraordinary Board Meeting held on 14 Jan. 2016, Director Ji Guangheng was elected as Chairman of the Board of

Directors, and Director Xu Li was elected as Deputy Chairman of the Board of Directors. At the same time, Director Ji Guangheng was appointed as Chairman of the Strategy Committee of the Board of Directors, and Director Xu Li was appointed as member of the Risk Management Committee of the Board of Directors. The appointment of both directors is still pending approval by the supervisory department. At the 2014 Annual Shareholders' Meeting on 28 Apr. 2015, Mr. Wang Weihua was elected as Director for a term starting from the approval date of the Shareholders Resolution until the Second Session of the Board of Directors meeting based on the nomination by China Pacific Insurance (Group) Co., Ltd., the fourth largest shareholder. His appointment was approved on 15 Jul. 2015 by the CBRC Shanghai Office. At the 25th and Second Session of the Board Meeting on 11 Aug. 2015, Mr. Wang Weihua was appointed as member of the Strategy Committee of the Board of Directors.

Mr. Shen Huiqi, Supervisor during the Second Session of the Board of Supervisors, submitted his resignation to the Board on 10 Dec. 2015 due to age. At the First Extraordinary General Meeting on 25 Dec. 2015, Mr. Sun Jianping was elected as Supervisor and Chairman of the Board of Supervisors during the 22nd and Second Session of the Board of Supervisors' Meeting, for a term starting from the approval date of the Board of Supervisors until the Second Session of the Board of Supervisors based on relevant documents from the Municipal Party Committee and Municipal Government. Mr. Zhang Lei, a supervisor during the Second Session of the Board of Supervisors, resigned from the Board of Supervisors due to a job transfer. At the 2014 Annual General Meeting on 28 Apr. 2015, Ms. Zhu Peilan was elected as Supervisor for a term starting from the approval date of the resolution during the General Meeting until the Second Session of the Board of Supervisors based on the nomination by Orient International (Holding) Co., Ltd. Since Mr. Wang Weihua was nominated as Director by China Pacific Insurance (Group) Co., Ltd., Ms. Li Shan, a member of the Board of Supervisors no longer serves as Supervisor.

President Hou Funing, Senior Manager of the Company, resigned from his post as President of the Board of Directors in Nov. 2015 for personal reasons. At the First Extraordinary Board Meeting on 14 Jan. 2016, Mr. Xu Li was elected as President based on relevant documents from the Municipal Party Committee and the Municipal Government. Mr. Wu Guohua, CRO of the Company, resigned from the Board of Directors in Jan. 2015 for personal reasons. Mr. Liu Yongfen, Secretary of the Board, resigned from the Board of Directors in May 2015 to prepare for the Yangtze River United Financial Leasing Co., Ltd. in which the Company has existing shares of stocks. Mr. Wang Ming no longer serves as Chief Loan Auditing Officer of the company due to age.

## IV. Annual Salary and Incentive

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

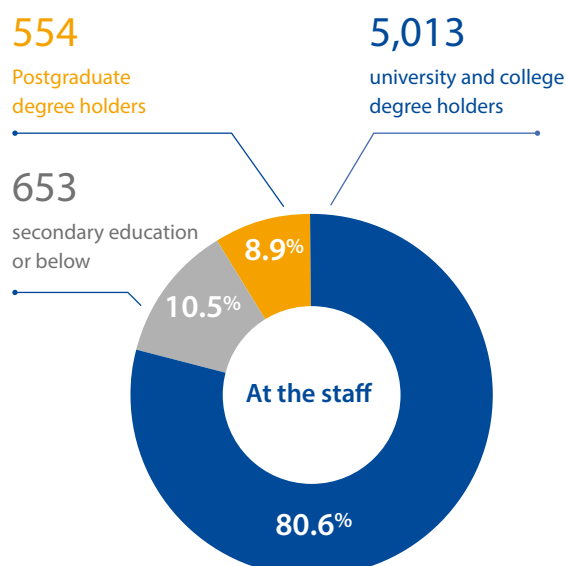
The salary of Non-executive Directors and Supervisors includes annual allowance and duty allowance to subsidize Board and Committee meeting costs. In addition, the standard annual allowance for Independent Director and External Supervisors is RMB 120,000 yuan after-tax, while the annual allowance for Directors/Shareholders and Supervisors is RMB 60,000 yuan after-tax. The salary standards above were reviewed and approved during the General Shareholders' Meeting.

During the reporting period, it was stated in the requirements of the Municipal Party Committee that Party and Government Leaders as well as Business Managers of state-owned enterprises and institutions who concurrently hold positions do not require remuneration. 7 Directors and 3 Supervisors of the Company have not been compensated since June 2014.

The salaries paid to Directors, Supervisors and Senior Management shall be subject to performance evaluation. The President and Senior Managers of the Company were paid according to the provisions indicated on the "Views toward Deepening Reforms on the Salary System of Leaders in State-owned Enterprises", issued by the Municipal Party Committee and Municipal Government. A notification on salary adjustments and benefits for SRCB leaders was issued by the Municipal Financial Party Committee and Finance Office. During the reporting period, the salaries and benefits paid to Directors, Supervisors and Senior Management totaled RMB 3.9722 million after tax.

## V. Employee Conditions

As of the end of the reporting period, the Bank has 6,220 employees, including: 1,112 managers and 5,108 staff. There are 554 postgraduate degree holders, accounting for 8.9%; 5,013 university and Bachelor degree holders, accounting for 80.6%. The remaining 653 had secondary education or below, accounting for 10.5%.







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## 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 "Three boards and one management" to ensure its decision-making bodies, execution agencies and supervisory committees 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 service consumers and other interest related parties, generate returns for our shareholders, and create value for our society.

### (I) About Shareholders and Shareholders' Meeting

During the reporting period, the company held the 2014 Annual Shareholders' Meeting and the 2015 First Interim Shareholders' Meeting, at which 13 resolutions were approved and 4 proposals were listened to. The procedure of announcement, convening, holding and voting of the Shareholders' Meeting were in conformity with the Company Law, Articles of Association and other relevant regulations, and confirmed by Jun He Law Offices(Shanghai Branch) in a legal opinion letter. Opinions and recommendations of shareholders were provided and listened to at the 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) The Company and its Shareholders

The share distribution of the Bank complies with relevant banking supervisory rules and regulations. None of the top five shareholders of the Bank detours Shareholders' Meeting, directly or indirectly, to interfere with business activities and decision-making of the Bank. The Bank and the top five shareholders operate completely independent in personnel, assets, finances, organizations and business. The Board of Directors, Supervisors, and internal institutions are operated independently.

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

The Second Session of the Board of Directors is consisted of 17 directors, including 2 Executive Directors, 1 Employee Director, 10 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 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 dynamic fine tuning of the entire banking strategies, promotion of strategy landing and formulating annual financial budget and settlement and profit distribution plans, strengthening all-around risk management, internal control, supervising senior management's performance of their duties, assuring the authenticity, completeness, accuracy of financial reports, deepening assessment and evaluation functions and others. Meanwhile, all directors closely looked into the establishment of a financial leasing company, the upgrading project of the financial kiosks, investigation on the urban sub-branch development mode, vigorous promotion of businesses of the investment bank, improvement of the technical financial service system, strengthening of data treatment and profit contribution assessment, improvement of all-around risk management mechanism, deepening the strategic cooperation with ANZ and many other significant strategic works in order to further improve corporate governance. They also emphasized on scientific decision-making, ensured compliant and prudent operations and practically protected shareholders' legitimate rights and interests, cared for and safeguarded interests of financial consumers and other interest related parties and effectively performed entrusted duties.

During the reporting period, the Bank convened 6 board meetings, and deliberated on or listened to 44 proposals, covering development strategy assessment and dynamic fine-tuning, annual operation plan, financial budget, profit distribution plan, transfer of shares of Southwestern Suburb Ring, write-offs of bad assets, risk preference management, IT risk management, loan relief management, related party transaction management, augment and re-election of directors and supervisors, and other important matters in strategy, operation, risk management, and company governance.

has 5 special committees which were the Strategy Committee, Risk Management Committee, Audit Committee, Remuneration and Nomination Committee, and the Related Party Transactions Control Committee. During the reporting period, the special committees held 16 meetings, and deliberated on 49 proposals. The special committees, under their respective duties and standardized operation and centering on the three-year development strategy, paid close attention to changes in macro-economic environment, constantly provided constructive opinions and recommendations, 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 scientific decisions, supervising senior managers to strengthen the strategic implementation, and promoting the continuous improvement of the company's operational management.

At the end of the reporting period, post of secretary of the Board of Directors was vacant.

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

The Second Session of the Board of Supervisors' is consisted of 9 supervisors, including 1 Chairman of the Supervisory Board, 3 shareholder supervisors, 3 employee 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 issued independent viewpoints. Their level of performance of duties met regulatory requirements, making positive contributions to the scientific development and establishment of a modern enterprise system.

The Board of Supervisors organized and convened the Board of Supervisors meetings and Special Committee meetings to carefully review proposals, organized supervisors to carry 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 5 Board of Supervisors meetings, reviewed 14 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 3 meetings and approved 5 proposals in total.

## (V) Senior Management and Special Committees

Senior management consists of 1 President, 5 Vice Presidents, and 1 Chief Information Officer. During the reporting period, senior managers of the Bank seriously implemented the spirits of the Third and Fourth Plenary Sessions of the 18th CPC Central Committee, and center on the annual strategic focus based on the strategic decision of the Board of Directors in order to perform corresponding duties conscientiously, organize and promote various operation and management works steadily, adhere to profit-orientation, continuously improve the market shares and profitability and comprehensively complete the management tasks determined by the Board of Directors.

The senior management established a group decision-making mechanism for major issues, which consisted of 11 special committees, namely, Asset and Liability Management Committee, Business Continuity Management Committee, Corporate Finance Business Committee, Retail Financial Business Committee, Financial Market Business Committee, Internal Control and Risk Management Committee, Credit Approval Committee, Non-Credit Asset Approval Committee, Risk Assets Resolution Committee, Information Technology Management Committee, and Credit Risk Management Committee. During the reporting period, the special committees held 127 meetings and reported or reviewed 1,816 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 completed 2 disclosures in periodic reports, the 2014 Annual Report and the 2014 Annual Social Responsibility Report. The Board of Directors carefully prepared the periodic reports, confirmed the financial data and took final responsibility for the authenticity, completeness and accuracy of the financial reports.

During the reporting period, the company has disclosed interim reports for four times, which are 2014 Annual Shareholder Meeting Announcement, 2014 Annual Dividend Announcement, 2015 First Interim Shareholder Meeting Announcement, and introduction of candidate election for directors and supervisors of the shareholder Meeting.

## 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 their respective fields covering economic, finance and law. Among the five special committees of the Board of Directors, three chairmen were independent directors and in two special committees the number of independent directors accounted for more than half of the number of committee members. During the reporting period, the independent directors fulfilled their obligations with responsibility, integrity and diligence. 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 capital management, promoted business conversion, structure adjustment and risk management system reformation, inspired innovation, expanded new business, stabilized operation benefit, protected all interests of the Bank, including the legal interests of small and medium shareholders and promoted the right decisions made by the Board.

## 1. Attendance of Independent Directors at Board Meetings

During the reporting period, the Second Board of Directors held 6 meetings and all independent directors personally attended the meeting with the exception of 4 directors who authorized others to vote on their behalf. Independent Directors at the Board meetings actively contributed and provided many valuable comments and suggestions.

## 2. Objection 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 Session of the Board of Supervisors had 2 External Supervisors. During the reporting period, the Second Board of Supervisors held 5 meetings. The External Supervisors actively participated in the meetings. The External Supervisors actively provided independent opinions at the meetings, and being responsible for all shareholders; fulfilled obligations with integrity and diligence, protected the interests of the Bank and the legal interests of stakeholders, and played an active role in fulfillment of the supervisory duties by the Board of Supervisors. External supervisors hold the post for both the Chairman of the 2 Special Committees of the Board of 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 and the ability to make its own management decisions. The Board of Directors, the Board of Supervisors and the internal organization operate independently.

## IV. The Company's Decision-making System

The Shareholders' Meeting is the highest institution 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 central role in decision-making and reviewing. The Board of Supervisors is the body which undertakes the roles of supervisor and appraiser. The President, who is appointed by the Board of Directors, is on behalf of the senior management and under the authorization of the Board of Directors, is responsible for all business management, effective implementation of the resolutions made by the Board of Directors, and accepts the supervision of the Board of Supervisors. The Bank implemented a system of "a single corporate body, unified business accounting, classified management, and authorized operation". The branches are non-independent accounting units whose businesses and management activities are based on the authorization of Head Office and who are responsible for 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 Employee Directors in 2014, assess the operation, profit and risk control by the senior management members, and issue an assessment comment. The Proposal on 2014 Annual Performance Appraisal for the Members of Senior Management, Executive Directors and Employee Directors was reviewed and approved during the 24th Meeting of the Second Session of the Board of Directors of the Bank. The Board of Supervisors issues an assessment report on the performance of senior management each year.

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

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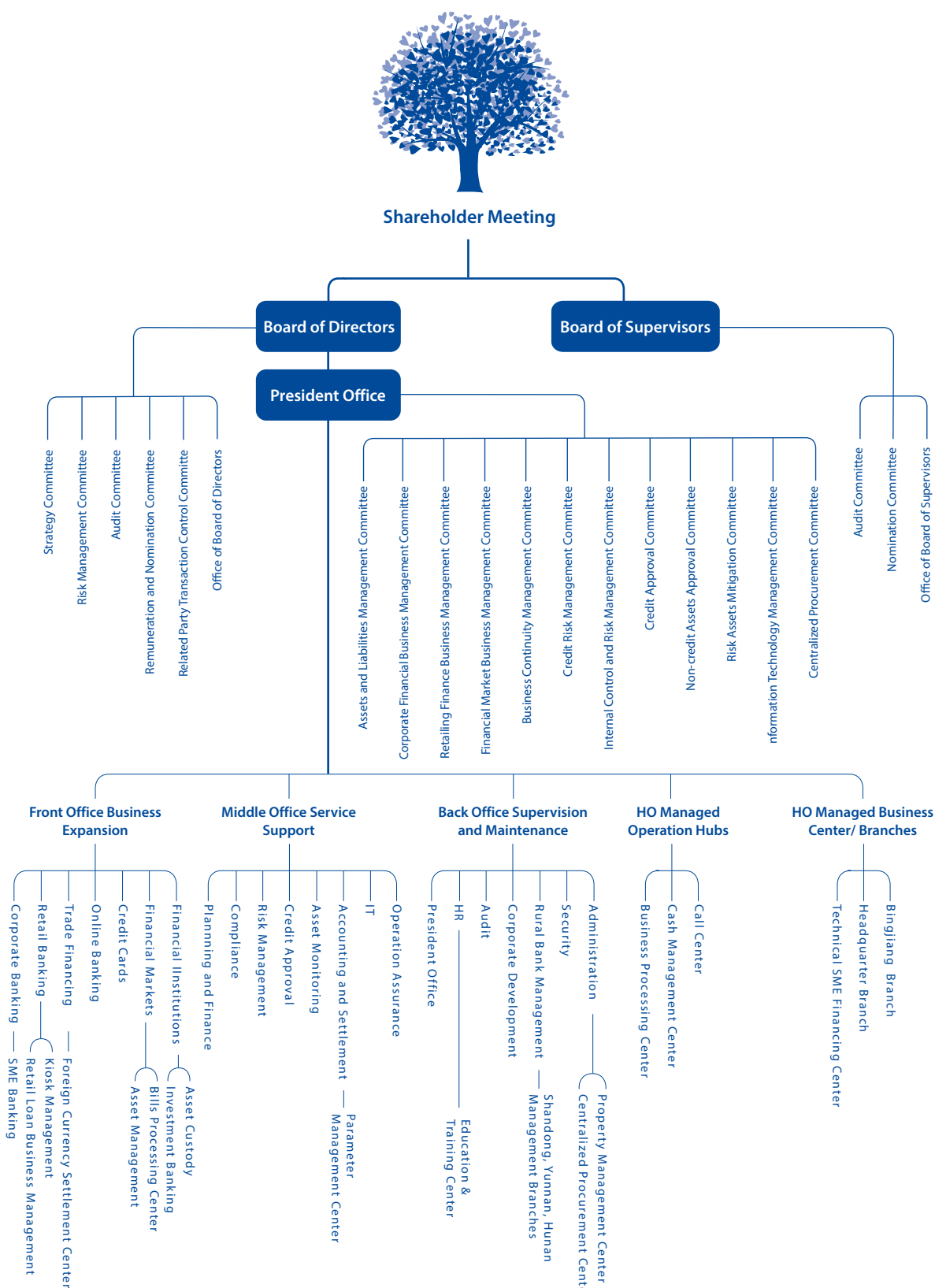
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# Introduction to Annual General Shareholders' Meeting

Annual General Shareholders' Meeting

Interim Shareholders' Meeting



## I. Annual Shareholders' Meeting

On April 28, 2015, the Bank's 2014 Annual Shareholders' Meeting was held at No.8 Yincheng Middle Rd, Shanghai. A total of 81 shareholders and representatives attended the meeting, representing 3.604 billion shares, accounting for 72.08% of the total equity of the Bank. Certain members of the Board of Directors, the Board of Supervisors and non-directors from Senior Management attended the Meeting.

This meeting reviewed and approved Proposals of SRCB on Financial Performance in 2014 and Draft Budget Plan for 2015, Proposal of SRCB on Profit Distribution Plan for 2014, Proposal on Amendment of the Articles of Association for SRCB, Proposal on Amendment of Management Rules for Directors of SRCB, Proposal on Amendment of Management Rules for Equity of SRCB, Proposal of SRCB on Loan Relief Authorization, Proposal on 2014 Work Report of the Board of Directors of SRCB, Proposal on 2014 Work Report of the Board of Supervisors of SRCB, Proposal on Election of Mr. Wang Weihua as a Director the Board of Directors of SRCB, Proposal on Election of Ms. Zhu Peilan as a Supervisor the Board of Supervisors of SRCB. The Meeting also listened to the 2014 Financial Statement Auditing Report of SRCB, 2014 Annual Report of Performance of Duties by Directors, 2014 Related Parties Transactions Report, and the Report on Implementation of Regulatory Views from Shanghai Banking Regulatory Commission and Rectification Measures for the Bank.

The Annual Meeting of Shareholders was witnessed by Jun He Law office(Shanghai Branch), who 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 Bank. All resolutions approved at the Shareholders' Meeting were legal and effective.

## II. Interim Shareholders' Meeting

On 25 Dec 2015, 2015 First Interim Shareholders' Meeting was held at No.8 Yincheng Middle Rd, Shanghai. A total of 71 shareholders and their representatives attended the meeting, representing 37.76 shares, accounting for 75.54% of the total equity. Certain members of the Board of Directors, the Board of Supervisors, company's major leaders and non-directors from Senior Management attended the Meeting.

And the Meeting reviewed and approved the Proposal on Election of Mr. Ji Guangheng as a Director the Board of Directors of SRCB, the Proposal on Election of Mr. Xu Li as a Director of the Board of Directors of SRCB and the Proposal on Election of Mr. Sun Jianping as a Supervisor of the Board of Supervisors of SRCB.

The Interim Meeting of Shareholders was witnessed by Jun He Law office(Shanghai Branch), who 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 Interim Shareholders' Meeting were legal and effective.





## Report of the Board of Directors

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## I. The Company's Profit Distribution Plan

The company has prepared a profit distribution proposal in accordance with the audited financial statements. According to the standard clean opinion auditing report produced by Deloitte & Touche CPAs Co., Ltd., during the reporting period, the company achieved net profits of RMB 5,466,080,365.03, undistributed profits from previous years were RMB 8,232,921,043.55, this year's distributable profits were RMB 13,699,001,408.58. The company's profit distribution plan for 2015 was as follows:

1. Statutory surplus reserve of RMB 546,608,036.50 and discretionary surplus reserve of RMB 1,186,616,487.24 were accrued from profits after tax as reported in the 2015 statutory financial statements.
2. General reserve of RMB 1,286,228,499.67 was accrued to ensure the balance of ordinary reserves shall remain at the level of 1.5% of the previous year-end risk-and-loss-bearing assets balance of SRCB .
3. Based on the Bank's total common shares of 5 billion on 31 Dec 2015, the total cash dividend of the common shares was one billion Yuan (tax inclusive) paid as 2 Yuan (tax inclusive) per 10 shares.

The undistributed profits remaining after the above distributions shall be carried over to the next year. The above profit distribution proposal was implemented after deliberation during the 2015 Shareholders' Meeting.

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

The company's 2014 profit distribution plan was approved during the 2014 Shareholders' Meeting. The "distribution of cash dividend worth RMB 0.18 per share (tax inclusive) was allotted for a total of 5,000,000,000 shares, with a shareholders' record date of 13 May 2015. All shareholders are recorded will receive the distribution, and the dividend distribution date shall be 15 May 2015". A public notice was displayed on the Bank's website. The distribution plan has been duly implemented.

## III. Key equity holding companies and equity investing companies

Unit: RMB 1000 Yuan

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

Equity investing companies	Holding ratio	Total investment as of the date of reporting
Linli Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Yongxing Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Guiyang Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Hengyang Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Changsha Shanghai Rural Commercial Bank Co., Ltd.	51%	51,000
Ruili Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Kaiyuan Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Baoshan Longyang Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Mengzi Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Gejiu Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Jianshui Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Linchang Linxiang Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Mi'le Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Songming Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Kunming Shanghai Rural Commercial Bank Co., Ltd.	51%	51,000
Shenzhen Guangming Shanghai Rural Commercial Bank Co., Ltd.	41.65%	83,300
Beijing Fangshan Shanghai Rural Commercial Bank Co., Ltd.	51%	51,000
Yangtze River United Finance & Leasing Co., Ltd.	30%	300,000
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 Jingyi Industrial Development Co., Ltd.	18.87%	103,611

## IV. Equity Investment

During the reporting period, the Bank jointly invested and established Yangtze River United Financial & Leasing Co., Ltd. with Wanda Information Co., Ltd., Shanghai Yongda Automobile Pudong Sales & Service Co., Ltd., Yangtze River Economic United Development (Group) Co., Ltd., Zhengjiang Expressway (Shanghai-Hangzhou-Ningbo) Co., Ltd., Shanghai Wanhao Investment Co., Ltd., Shanghai Bestway Marine Engineering Design Co., Ltd., and Shanghai Shipping Exchange. It invested 300 million yuan and was the major shareholder of Yangtze River Financial & Leasing Co., accounting for 30% of the total shares.



## V. Usage of Raised Funds by the Company

By the end of 2010, subject to Reply to Agreement 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, which has had a great effect.

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## 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, 2015, Income Statement, Cash Flow Statement, Statement of Changes in Equity, and financial statements notes) for the year 2015 according to Accounting Standards for Enterprises, and to provide proposals on internal control management.

## VII. Daily Work of the Board of Directors

### (I) the Board Meetings



During the reporting period, the Company convened 6 board meetings, reviewed or discussed 44 proposals.

1. On January 23, 2015, the Company convened the 2015 First Interim Meeting of the 2nd Board via telecommunication to vote. During the meeting, the "Proposal on Approval of Pledge of SRCB's Shares by Greenland Holding Group Co., Ltd." was reviewed and approved.

2. On February 4, 2015, the Company convened the 23rd session of the 2nd board. The Meeting has reviewed and approved the "Proposal for 2014 Business Operations and 2015 Business Plan and Key Works of SRCB", the "Proposal on 2014 Annual Strategy Assessment and Dynamic Fine-Tuning Development Strategy of SRCB", the "Proposal for 2014 Work Report and the 2015 Work Plan of the Board of Directors of SRCB", the "Proposal for 2014 Directors' Performance Evaluation of SRCB", the "Proposal on Development of the Management Rules for Loan Relief of SRCB", the "Proposal on Amendment of Management Rules for related transactions of SRCB", the "Proposal for 2015 Branch Development Plan of SRCB", the "Proposal of 2014 Corporate Governance Self-evaluation Report of SRCB", the "Proposal of 2014 All-round Risk Management Self-evaluation Report of SRCB", and the "Proposal on 2014 Compliance Risk Self-evaluation Report of SRCB". Moreover, there was a debriefing on the "Report on the 2014 Annual Consumer Protection Works of SRCB", "Report on 2014 Annual Equity Pledge Related Situation of SRCB", the "Report on 2014 Strategic Cooperation and 2015 Strategic Cooperation Plan Between SRCB and ANZ", and the "Report on 2014 External Donation Status of SRCB".

3. On March 30, 2015, the Company convened the 24th Session of the Second Board Meeting. The following were reviewed and approved during the meeting: the "Proposal on Verification of the 2014 Financial Statements and Audit Report of SRCB", the "Proposal on 2014 Financial Performance and 2015 Financial Budget of SRCB", the "Proposal on 2014 Profit Allocation Plan of SRCB", the "Proposal on Verification of 2014 Annual Report of SRCB", the "Proposal on 2014 Annual Performance Evaluation of Executive Directors, Employee Directors and Management of SRCB", the Proposal on the Nomination of Mr. Wei Hua Wang as director of SRCB, Proposal on the Formulation of the "2015 Annual Risk Appetite Policy of SRCB", the "Proposal on Loan Reduction Authorizatin of SRCB", and the "Proposal on Convening of the 2014 Shareholder Meeting of SRCB" were reviewed and approved. Moreover, there was a debriefing on the "Report on Additional Notes to and Basic Judgment on the 2014 Annual Auditing Report of SRCB", the "Report on 2014 Internal Control and Risk Management Evaluation of SRCB", the "Report on 2014 Related Transactions and Special Auditing Opinion of SRCB", and the "Report on the 2014 Internal Auditing of SRCB".

4. On April 8, 2015, the Company convened the 2015 Second Interim Meeting of the Second Board. The Meeting reviewed and approved the Proposal of Recommending the President Hou Funing to Hold the Board of Directors Meeting.

5. On August 11, 2015, the Company convened the 25th Session of the Second Board Meeting. The Meeting reviewed and approved the Report on Business Operation in the First Half of 2015 and Key Works in the Second Half of 2015 of SRCB, the Proposal on Amendment of Information and Technology Risk Management Policies of SRCB, the Proposal of Equity Transfer of SRCB in Shanghai Southeastern Suburb Ring Expressway Investment and Development Co., Ltd. and Proposal of Adding the Director Wang Weihua to be a Committee Member of the Strategic Committee of the Second Session of the Board of Directors. Moreover, it also debriefed the "Report on Financial Performance in the First Half of 2015 of SRCB", the "Report on SRCB 2014 of Legal Person Shares Transfer", and the "Report on Implementation of 2014 Supervisory Opinion of CBRC Shanghai Office and Rectification Measures of SRCB".

6. On December 10, 2015, the Company convened the 26th session of the Second Board Meeting. The Meeting reviewed and approved the proposal of adding Mr. Ji Guangheng as a Director of SRCB, the proposal of adding Mr. Xu Li as a Director of SRCB, the Proposal of 2015 Annual Bad Assets Write-off of SRCB, the Proposal on Approval of Urban and Rural Synthetical Supporting in Pair with Chongming Town and the Appropriation of 2015 External Donation, and the Proposal on Convening the 2015 First Interim Shareholder Meeting of SRCB. The board heard the 2015 Report on the Arrangement Plan for Regular Meetings of the Board during the meeting.

## (II) Performance of Duties of the Board of Directors

During the reporting period, faced with a complicated market environment, the Board of Directors considered the situation of the Bank; carried out a dynamic fine-tuning of the development strategy; lead the senior management team to define the market position, highlight the business features, improve risk management, deepen reform and development; performed strategic decision-making, capital restriction, risk management, assessment incentive, team construction, science & technology management and other functions; promoted the transformation and development of the whole bank. All directors were diligent and responsible in performing their duties seriously in order to complete all objectives and tasks in 2015.

### Through strategic management, we promoted the implementation of significant and strategic work.

First, we fine tuned d the 2014 – 2016 development strategy. Study and judge the macroeconomic and financial situation trends carefully, research the results combining major reform measures and innovative projects, and conduct a dynamic fine-tuning for the three-year development strategy based on the analysis and assessment of the 2014 strategy implementation outcome. Second, we organized and developed the "Thirteenth Five-Year" Development Plan. Establish a planning and drafting team to study and judge the macroeconomic and financial reform trend carefully; analyze in depth the socio-economic environment and financial industrial environment faced by SRCB combined with the municipal "Thirteenth Five-Year" plan, reform and innovative measures of Shanghai's four centers construction, scientific and innovation center construction; require the senior management to seriously summarize the development experience since the system reform, comb the existing problems and shortcomings, persist with new development strategy scientifically based on precise data analysis. Third, we promoted the Group's strategy of diversified development. Develop the Managemnet Methods for Holding Company (Joint-stock company) of SRCB and Management Methods for Expatriate Directors (Supervisors) of SRCB in order to safeguard the consolidated operators of the Group,strengthening rural bank holding management, promoting the establishment of the financial and leasing company and ensure the successful opening. Fourth, we vigorously promote reform and innovation. Take initiative to establish the scientific and technological financial service system, create a head office decision, Zhangjiang scientific and technological sub-branch investment and financing, branch services, direct investment and financing through internet and so on with the "Four Great Platforms". Continue to promote branch transformation and upgrading of the financial kiosks to version 2.0. Carry out investigation on urban sub-branch development mode and promote the pilot reform of urban sub-branch system mechanism. Fifth, we are speeding up business transformation and structure adjustment. Based on the market and client orientation, improve and optimize the credit source allocation and continue to strengthen the support for the fields or financial needs of "medium, small, micro, agriculture, science, trading".

### Enhance risk management and raise the capability to prevent risks

First, deepen th e embedded risk management mode. Organize and conduct the assessment after the reform of the embedded risk management, continue to push forward the embedded risk management work in the year, intensify the risk control for high risk business, implemented the risk management matrix, carried out double-line report and double-dimensional examination, and improved the risk managment efficiency. Second, improve risk control management. Organize and develop indicators of overall preference; risk limitation and concentration ratio complying with SRCB'S strategic orientation; continue to track the implementation status of risk preference and changing trends of risk indicators;pay attention to the implementation progress of new capital accord, regularly check the reports on internal control, risk management status and pressure test condition; recommend professional and constructive opinions; urge the management level to enhance all-around risk management and improve the ability for recognizing, measuring, monitoring and controlling various riks for timely warning and correction. Third, steadily carry forward the infusion of new capital accord. Continue to promote the construction of the market risk project of internal model method. Complete the validation of internal rating system before putting into operation and getting the internal rating system online; initiate and implement RWA projects, establish the risk data mart and finish the transformation of the system related to small and medium financing auxiliary score card. Promote the comprehensive application of the internal rating system for customer on board, asset monitoring, credit and authorization, credit approval, risk pricing and other aspects in order to improve the risk measuring ability of SRCB. Fourth, carry forward asset quality management. Urge the senior management level to strengthen the credit and risk management for major fields, intensify the investigation on high risk loans, build an early warning platform throughout the whole process, improve the technical risk preventive level, enhance the after-loan management and accountability, and contain the rebounding trend of bad loans. Accelerate the resolution of bad loans of large amounts, develop loan relief management methods and strengthen the efforts for write-offs. Fifth, pay close attention to internal control and enhance case control. Guide the management level to balance the relationship between business development and compliance risk control, further push forward risk investigation on various kinds of cases and perfect the long-standing mechanism for case prevention and control on the basis of implementation of special evaluation of "2 Strengthening and 2 Containment". Strengthen employee education and raise awareness on compliance to develop a sound culture of compliance; Pay attention to key cases and complaints, improve handling efficiency, prevent and control reputation risk.

### Perfect incentive and restraint, and optimize HR allocation

First, is to complete the performance assessment mechanism. Urge the senior management level to further improve the examination system for all levels of the whole bank, develop the "Performance Assessment and Salary Distribution Plan for Leaderships Other than the Legal Representatives", amend the

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"Management Methods for Performance Assessment of the Middle Level of the Head Office and the Management Methods for Performance Assessment of Branch Team Members", increase the efforts put on line assessment and promote the implementation of the interest binding and up-down linkage between the head office and branches. Carry out the unified brace assessment for the line of accounting and further improve the elaboration level of performance management. Second is to optimize HR allocation. Urge the Human Resource Management Department to analyze the current status of the human resources of the whole bank, develop scientific personnel recruitment plan and optimize the structure of employees based on business development needs. Improve the employee recruitment management mechanism, set up professional recruitment platform, realize the rational flow and optimize the distribution of outstanding talents among different institutions and different posts. Intensify the training for excellent young employees; develop those young employees with high academic qualifications, strong abilities and innovation awareness for the emerging business positions; and further optimize the allocation of human resources. Third, we continue to enhance the quality and capacity of our team. We push the whole bank to adhere to the periodical learning system; further improve the learning and training mechanism; classify the training plans and arrange exclusive trainings covering the medium level workers, section-level managers, branch-level client managers and new employees based on their ranks and positions; and continue to improve the comprehensive quality and professional skills of the employees.

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

First, we improve feedback and transmission mechanism for governance information. Regularly monitor and supervise the implementation of resolutions made at the Board meeting and opinions suggested by the directors and supervisors; explore the expansion plans and coverage area of the information reporting system of corporate governance; require the management level to promptly report the progress of strategy implementation and periodically summarize and analyze the latest performance, risk management, progress of implementation of major issues; deepen the directors' understanding of the business operation of SRCB in order to maximize the mental capabilities of directors. Second, we improve information disclosure and service level to shareholders. We emphasized quality and ensured the objectiveness, authenticity, completeness and accuracy of regular report and social responsibility report of the Group based on the standards for listed companies. Offer consultation service on equity pledges, transfer and other aspects for shareholders without delay to improve the working efficiency. Actively visit International Groups, China Pacific Life Insurance Co., Ltd., Guosheng Group, Greenland Group and other shareholders in order to understand their demands and improve the service level provided to them. Third, we fully support special committees in decision-making. The special committees, given their respective duties, seriously studied the theme of the meeting, providing constructive advice and opinions for the proposals, supervised

and evaluated the implementation of resolutions of the Board of Directors, assisted the Board of Directors in performing its duties effectively and making scientific decisions.

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

During the reporting period, special committees under the company's Board of Directors held 16 meetings in total and reviewed and listened to 49 proposals.

Strategy Committee studies and judges the economic situation and changing trends of the market environment in time, carries out a dynamic fine-tuning of the Three-Year development strategy of SRCB, aims at appropriate direction of development and urge senior management level to deepen various reforms. At the same time, it takes initiative to arrange the planning draft for "Thirteenth Five-Year" period; listens to opinions from different parties and repeatedly prove them scientifically in order to assist and promote the new development. It focuses on implementation of the development strategy by senior management, continues to strengthen strategy management capacity and ensures the implementation of strategic tasks in place. Promote and strengthen business cooperation with shareholders, and help us continuously raise the internal management level with ANZ Bank's proven fully applied experience.

The risk management committee continues to monitor the implementation of risk preference and changing trends of risk management indicators, periodically assess the internal control and risk management status, push forward to strengthen the capital management, promote the application of internal assessment results, strictly review and examine the write-offs of bad loans, intensify the internal system for case prevention and control, and continuously improve the risk management level of SRCB.

With internal and external audits serving as a breakthrough point, the audit committee pays close attention to internal control and financial results. Monitor and find out, in a timely manner, the external audit progress and make judgments on the authenticity, completeness and accuracy of financial statements; and urge the senior management level to practically implement various reform tasks mentioned in the internal management proposal. Organize and implement special auditing projects for the effectiveness of IT project management process, review the annual internal auditing reports, regularly appraise the results of internal auditing projects and further promote the functional transformation of internal auditing.

The salary and nomination committee implements steady salary management, prudently studies the performance assessment and salary distribution mechanism for senior managers, and promotes the improvement of duty performance abilities. Carefully review and examine the qualification of new directors and prepare for the replacement of directors.

The related Transaction Control Committee enhances the establishment of the related transaction system; amends the management rules for related transactions; actively studies the internal transactions with the holding rural bank, and the related transaction management mechanism with joint-stock leasing company; maintains the interests of shareholders. Intensify the approval of major related transactions and recording of ordinary related transactions, update and identify the list of related parties in time, regularly evaluate the situation of the related transactions.

## VIII. Social responsibility

We uphold scientific development and transformation development. Meanwhile, we focus on the strategy of the development of convenience banks from start to finish, advocate human-oriented corporate culture, assume responsibilities in the fields of economic development, social progress and environmental protection, etc. and put forth great effort to create value for shareholders, customers, employees and society.

During the reporting period, the Company formulated and implemented the 2014-2016 Development Strategy Plan, determining the development strategy system with the vision of "convenient community bank" as the core. From the aspect of management of social responsibility, we made clear the cultivation of refined value of social responsibility, committed ourselves to building an effective participation mechanism for shareholders, worked together with others to create value, minimized the group company's impact on society and environment and did our utmost to add comprehensive value to the economy, society and environment.

### Serve real economy and support local construction

During the reporting period, according to the client orientation of "one body and two wings", the Company optimized the credit resource allocation, reinforced product innovation, continued to support financial demands in "medium, small, micro, agriculture, science, trade" fields, successively issue asset securitization products, actively expand bond underwriting, syndication loans, cash management and others. We provided focused support to the economic structure adjustment, energy conservation and emission reduction, environmental protection and independent innovation and put forth every effort to resolve the problems of difficult and expensive financial services of real economy.

Actively participated in the construction of China's (Shanghai) Free Trade Zone, successively carried out FT account settlement and gradually promoted to an expanded free trade area, opened total 222 FT accounts with outstanding deposits of RMB 754 million and loans of RMB 795 million. Branches and sub-branches in FTZ actively explored voluntary FX of Foreign capital, swap portfolio, internal guarantee financing business, interbank cash management, FTN USD loan business and other innovation business.

Actively participated in the construction of Shanghai Scientific Innovation Center, developed the special work plan, launched innovative businesses such as issuing loans and being a micro-credit specialist. At the end of 2015, clients of scientific and technological enterprises have reached 1166 with a loan balance of RMB 16,590,000,000, while in and off balance sheet facility accounts for 20% of the entire Shanghai region.

### We served 3 agricultural areas and supported small and micro enterprises

As one of the banks having the largest numbers of branches in Shanghai, we always insist on serving outer suburban areas. By the end of the reporting period, among outlets in Shanghai, more than 62% of them were located outside the outer ring, providing daily financial services to residents in outer suburban areas. In 2015, the company carried out innovative development in the business of "Agriculture, countryside and farmers" and took lead in launching the pilot of rural land management rights pledge loans in the city under the guidance of the Municipal Financial Office and the Municipal Agriculture Commission. By the end of the reporting period, agriculture-related loan balance was RMB 59.056 billion, accounting for 30% of the self-operated loans, which made the Bank the highest one in agriculture-related loan extension.

We strengthened shareholding management for rural banks and expanded agriculture supporting channels. As the leading launching bank, we gave full play to transmission mechanism of corporate governance, helping and directing rural banks towards the direction of supporting agriculture and small markets, completing the service functions, strengthening risk prevention, increasing science and technology support and promoting rural banks to provide financial service to "3 agricultural areas", small, macro enterprises and community. At the end of the reporting period, the 35 rural banks established by the Bank have achieved a total net profit of 349 million RMB, a total outstanding of deposits of 24.493 billion RMB which was 3 billion 935 million RMB more than the beginning of the year, and a total loan balance of 13.657 billion RMB, 926 million RMB more than the beginning of the year.

During the reporting period, the company continued to reinforce the efforts on credit support for small and micro businesses, established 74 small and medium enterprises franchise team, vigorously promoted park marketing. The loan balance of the national small and micro businesses reached RMB 111.66 billion RMB 4.16 billion more than the beginning of the year. Strived to develop the discounting business, achieving a balance of RMB 21.2 billion with an interest income of RMB 930 million. "Xin Yi Tie" bills discounting business of small amount has been highly recognized by the supervisory department and the market.

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#### Community bank safeguarded people's livelihood, mobile financing benefited the masses

During the reporting period, the company further expanded the construction of community banks, implemented the upgrading process of financial kiosks to version 2.0 centering on the core theory of "innovative, convenient, smart and mutually beneficial" in order to improve the smart network and enhance customer experience starting from the creation of a new type of smart community bank. By the end of the reporting period, the number of community bank outlets reached 284, 16 more than that at the beginning of the year. Emphasized on the "Community One-Card-Through All", "Second Hand House through Train" and "Products of Household Series", innovated new service functions, created core products and cultivated service characteristics. Focused on the target customers, strongly promoted the union cards, platinum card, consumption credit, cash installment and other competitive products; actively enhanced cross-sales, achieving 2.27 million clients of the three products mentioned above; and realized a great-leap-forward development in asset management plan, funds, precious metals and other wealth management businesses. Meanwhile, we continued to thoroughly implement work requirements of the municipal government by vigorously exploring the financial services of supporting the elderly, granting payroll and pension fund, issuing public reserve fund loans, acting as an agent to provide "Three Types of Tickets and One Type of Card" (railway tickets, flight tickets, movie tickets, and transport cards) and other utility services, thus supporting the development of social undertakings and facilitating people's livelihood.

During the reporting period, the company pushed forward the Internet Financial service steadily. The first direct-selling bank of the national RC system went online with a total accumulated new clients of 56 thousand accounts. Xin Yi Payment was launched and the Alipay bill wealth management business was put into trial operation. Upgraded the mobile financial services, continued to develop the online payment, improved the online financial management channels, pushed forward the construction of banking directly connected system and promoted the internet financial community.



#### Care for employees and fostering the corporate culture.

The Company advocated the enterprise core 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, the company improved the performance assessment mechanism, developing the Performance Assessment and Salary Distribution Plan for Leaders other than the Legal Representatives", amending the Management Methods for Performance Assessment of the Middle Management Level of the Head Office and the Management Methods for Performance Assessment of Branch Team Members"; and promoted the achievement of interest bonding and top to bottom linkage between the head office and branches. Carry out the unified brace assessment for the line of accounting and further improve the elaboration level of performance management. Optimize the allocation of human resources, seriously analyze the current status of human resources of the entire bank in order to scientifically develop the employees recruitment plan and optimize the structure of employees according to the business demands. Improve the employee recruitment management mechanism, set up the professional recruitment platform and achieve the rational flow of excellent talents among different institutions and different positions. Intensify the training for excellent young employees; develop those young employees with high academic qualifications, strong abilities and innovation awareness for the emerging business positions. Enhance the quality and capacity of our team. Encourage all employees to persist with the regular learning system, enhance the learning of traditional businesses and innovative businesses, renew ideas, improve qualities and cultivate a dense learning atmosphere in the bank. Further improve the learning and training mechanism; classify the



training plans and arrange exclusive trainings covering the medium level, section-level managers, branch-level client managers and new employees based on their ranks and positions; and continue to improve the comprehensive quality and professional skills of the employees.

The Company cares for its employees and places emphasis on democratic management to safeguard democratic rights and enrich employees' free time. During the reporting period, further improve the normal mechanism of workers' congress, employees' representatives, employees information communication. Amend the Workers' Congress Inspection and Assessment System, Workers' Representatives Inspection Tour System, Workers' Representatives Manual and other methods; establish the workers' representatives inspection management mechanism of "major training before inspection, supervision and correction during the inspection and follow-up visit after inspection". Deepen the employees caring system, establishing the green caring channel for employees with major illness; pushing forward the construction of grassroots trade union of "Mommy's Little House"; fully implementing the system of birthday visits to retired employees over 90 years old; setting up the fellowship gathering platform for young employees; building the benchmarking house of "employees book house" with RMB 2.5 million; carrying out the hardship-aid and heart warming project on "New Year's Day and Spring Festival", charity work of head office and "donation day" with love and other activities to create a harmonious, warm and cohesive "home culture". Held the 5th Culture and Arts Festival and colorful sports activities for the employees Supported by labor competition, skill competition and special training, we enhanced employee team quality in an overall way. In 2015, the Company was deemed as the "3rd Batch of Shanghai Enterprise Culture Construction Demonstration Base in Shanghai".



#### Be public-spirited and volunteer to contribute to society.

The Company conducted a five-year (2013-2017) rural comprehensive targeted assistance program with Chongming county and appropriated a total amount of RMB 5 million during

the reporting period and accumulated to RMB15 million for supporting the "hematopoiesis project" in key fields and areas of Chongming and improving basic public service system and farmers' living environment in Chongming. At the same time, continued to conduct a new round of targeted assistance with Hexing Village of Chongming County and Tangwai Village of Fengxian District; supported the public-interest show of "carrying forward the ethnic culture and returning to the community customers" conducted by Yue Opera Theater in Shanghai; assisted the needy families and workers in difficult financial and commercial lines of the community committees of Fengxing Mountain, Yusuhe Town, Xiangtan County; performed the condolence of "double visit and double connection"; and donated for the "Public Interest Street" project of Jiashan County. Relief and charitable donations were RMB 5.694 million in total for the whole year.

The Company continued to put into practice the "3 Entry Requirements" on financial service by actively carrying out activities like entering industrial parks, joint community buildings, as well as financial knowledge popularization and education. Conducted a series of concentrated marketing activities such as "An Auspicious Beginning of the Year, SRCB accompanies you to celebrate the Lantern Festival", "3.15 Financial Consumers Rights Protection Day", "SRCB with me in my growing up years -- I'm now ten years old" in schools, "SRCB accompanying me in my growing up years-- I'm now ten years old" children's painting exhibition, "Long March of Financial Knowledge", "Financial Knowledge Entering into Thousands of Families" and "Popularizing Month of Financial Knowledge", etc. popularized the financial knowledge on anti-counterfeit money, anti-swindle and credit investigation, etc. Guided the community residents to conduct various financial services and coordinated financial consumers rights protection. Carried forward the spirit of volunteerism and took part in "Large Scale Public Welfare Shanghai Service Hotline Youth League", and held a series of activities like "Special Day of Learning from Lei Feng", showing images of a rural commercial bank targeting education assistance, assistance for poor and disabled people, and financial knowledge popularization, giving back to society and building a sound enterprise image. Continued to contact with the Lujiazui Volunteer Service Center, having taken part in volunteer activities for 11 times in the whole year. It has won the title of "Outstanding Volunteer Service Collective" in the 2015 Annual Awards Ceremony of Lujiazui Community Volunteers.



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#### Persists in green credit and advocates environment friendliness

We actively implemented national industrial policies and environmental protection policies and developed green credit. Early each year, we clarify our credit and loan orientation to offer key support to the industries and projects that meet the requirements of green credit. We arranged scientifically the credit size so that a certain size can be reserved in the total credit

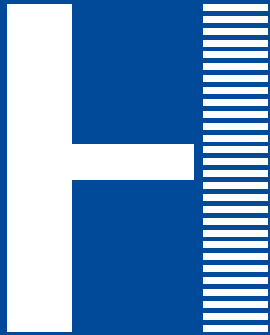
amount as dedicated support for green credit, attesting to our vigorous support for issuing green credit. We performed credit control on the enterprises and projects that violate industrial policies and environmental protection laws by implementing strict loan review and approval, issuance and supervision management. We set up an environmental admittance threshold and lowered the risk weight of credit assets for the credit businesses that meet the green credit requirements. By the end of the reporting period, the company's energy-saving environmental protection project loans reached a total of RMB 1.98 billion, an increase of 52.07% 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.

We built a low-carbon bank, expanded green service channels by splitting the stream of counter transactions into different channels such as online banking, self-service machines, mobile banking, and WeChat banking, among others. By the end of the reporting period, the percentage of electronic banking business was 52%, including online banking, telephone banking, self-service machines, mobile banking and other electronic banking channels.

In 2015, we were ranked No.193 among the 1000 banks in the world and continue to rank among the world's top 200.

(For full text, see the 2015 Annual Report of SRCB's Corporate Social Responsibilities)



# Board of Supervisors Report

Performance of the Board of Supervisors

Board of Supervisors' Independent Opinions on Specific Items



## I. Supervisory Board's Work Situation within the Reporting Period

### (I) Meetings of the Board of Supervisors

1. The Nineteenth Session of the 2nd Board of Supervisors was held on 4 Feb 2015, reviewing and approving the "Proposal for the 2014 Annual Work Report of SRCB Board of Supervisors", the "Proposal for the Preliminary 2015 Annual Work Plan of SRCB Board of Supervisors" and the "Proposal for the 2014 Report on Supervision and Assessment for Implementation of Case Prevention of SRCB". There was a debriefing on the 2014 Annual Work Summary on Online Financial Risk Prevention and Control

2. The Twentieth Session of the 2nd Board of Supervisors was held on March 31, 2015. In this session, the Board of Supervisors reviewed and approved the "Proposal for the 2014 Annual Assessments of Duty Performance of SRCB Directors", the "Proposal of Changing the Shareholder Supervisors", "Proposal for the 2014 Annual Report of Supervision and Assessment for SRCB Operating Financial Conditions", the "Proposal for the 2014 Annual Report of Work Supervision and Assessment of SRCB", the "Proposal for the 2014 Annual Work Report of SRCB Board of Supervisors", the Proposal for the 2014 Annual Audit Report of SRCB", and the "Proposal for the 2014 Annual Report of SRCB".

3. The First Interim Meeting in 2015 of the 2nd Board of Supervisors was held on August 25, 2015. In this session, the Board of Supervisors reviewed and approved the "Proposal for the Report on the Supervision and Assessment for Development of SRCB International Trade Finance Business", and the "Proposal for the Report on the Monitoring for SRCB Operating Financial Conditions in the First Half of 2015".

4. The 21st Session of the 2nd Board of Supervisors was held on 10 Dec 2015, reviewing and approving the "Proposal for Nomination of Supervisor Candidates for SRCB".

5. The 22nd Session of the 2nd Board of Supervisors was held on 25 Dec 2015, reviewing and approving the "Proposal for Nominating the Supervisor of Sun Jianping as the Chairman of the Board of Supervisors SRCB".



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

SRCB supervisors attended the meeting of shareholders.

### (III) Attendance at the Non-voting Board of Directors Meeting

During the reporting period, the supervisors attended the 23rd, 24th, 25th, and 26th Sessions of the Second Board of Directors.

### (IV) Legal supervision of duty performance of the Board of Directors, directors and senior managements

#### 1. Carry out dedicated inspections, supervision and assessment; improve the relevance and effectiveness of supervision

##### (1) Carry out supervision and assessment of the work in 2014 for SRCB

According to relative requirements, the Board of Supervisors conducted overall supervision and assessment in regards to SRCB's operation management and financial innovation, implements the regulatory or rectification recommendations given by regulatory and auditing departments, performs full supervision and assessment for the implementation of major decisions made by the municipal CPC committee, the municipal government, as well as high authorities' work requirements, and issues the "2014 Annual Report of Work Supervision and Assessment of SRCB".

##### (2) Perform supervision and assessment of duty performance in 2014 for SRCB's Board of Directors and directors as well as the operations senior management in the Head Office.

To further complete our corporate governance, standardize duty performance behaviors of SRCB's Board of Directors and the Director, as well as the operations senior management 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", as the Bank's articles of association, "Measures for Evaluating the Duty Performance of Directors ", and other SRCB regulations, supervision and assessment of duty performance in 2014 for SRCB's Board of Directors, as well as the operations management in the Head Office, and issued the report of supervision and assessment and submitted it respectively to the Board of Directors, leading departments and regulatory authorities.

### (3) Carry out the dedicated inspection, supervision and assessment of SRCB operating financial conditions in 2014.

To allow the Board of Supervisors to perform earnest supervision on daily operations of SRCB, the Board of Supervisors established a dedicated inspection team to perform dedicated inspections for SRCB operating financial conditions in 2014 by combining on-site and off-site inspections, and then issuing the "Report of Supervision and Assessment of SRCB Operating Financial Conditions in 2014".

### (4) Carry out dedicated inspections, supervision and assessment for the international trading and financing businesses of SRCB.

In order to serve the real economy and support the operation and development of small and medium sized enterprises, the international trading and financing services of the Bank have launched different business varieties covering in and off balance sheet. In order to master the organizational structure of the corresponding fields, the construction status of the rules and regulations, business implementation and risk management status of the Bank so as to truly and objectively reflect its development status and achievements, the Board of Supervisors has carried out a special examination for the international trading and financing businesses in the second quarter of 2015 and issued the Report on Supervision and Assessment on the International Trading and Financing Businesses of SRCB.

### (5) Carry out dedicated inspections, supervision and assessment of the construction status of the small and micro financial service system of SRCB.

In order to effectively push forward the implementation of 2014-2016 marketing and risk strategy of the Bank, the Board of Supervisors has established a supervision and assessment team in the third quarter of 2015, supervising and assessing the construction of the small and micro financial service system of the Bank and subsidiaries since 2014 on the basis of "Guidance on Financial Services for Small and Micro Enterprises" issued by CBRC, and relevant documents of the Bank. The supervision and assessment focused on the system, product and management innovations of small and micro financial services; and the customer on board, risk control and performance assessment mechanism. Meanwhile, it issued the Report on Assessment of the Construction Status of the Small and Micro Financial Service System of SRCB.

### (6) Carry out dedicated inspections, supervision and assessment for the SRCB implementation of case prevention in 2015.

To fulfill the functions of supervision and assessment, assess objectively the SRCB implementation of case prevention and control in the whole year, the Board of Supervisors established a team of dedicated inspectors for case prevention and control, developed the "Program for Supervision and Assessment for Case Prevention and Control in 2015", performed dedicated supervision and assessment for the SRCB implementation of case prevention in 2015, and issued the "Report of Supervision and Assessment for SRCB Implementation of Case Prevention and Control in 2015".

In addition, the Board of Supervisors will review and approve the "2014 Annual Auditing Report of SRCB" and "2014 Annual Report of SRCB".

## 2. Monitor operating financial conditions and improve timeliness of supervision

In order to practically perform the supervision function of the Board of Supervisors, effectively supervise the the operations and management of the entire bank and promote the normal, compliance and effective operation of SRCB's standard daily activities, the Board of Supervisors performed the dynamic monitoring for SRCB operating and financial conditions in the first half of 2015 and issued the "Report of Monitoring of SRCB Operating and Financial Conditions in the First half of 2015" according to the provisions of the superior department and the Regulations of SRCB.

## 3. Stay focused on long-term mechanisms and carry out patrolling inspections for the implementation of the case prevention system.

To effectively push forward the SRCB implementation of case prevention and control and perform the functions of supervision and assessment for case prevention and governance, and, meanwhile, provide support, assistance and acceleration, according to the annual work arrangement and records of patrolling inspections over the past years, the Board of Supervisors selected, in a targeted manner, the units to be inspected in the patrolling process, performed patrolling inspections of how the case prevention responsibility system was implemented for several basic-level units and outlets, and explained and publicized case prevention in the patrolling process.

To ensure the orderly implementation of patrolling inspection, increase effectiveness of patrolling inspection on implementation of accountability for case prevention, the Board of Supervisors worked out a yearly patrolling inspection plan at the very beginning of this year; they obtained feedback from the grass-root units on their case prevention work, spearheaded discussion among grass-root staffs on case prevention to ensure the coverage and representation of topics and was open to suggestions from the grass-root staffs on patrolling inspection for case prevention.

Through patrolling inspections, symposiums and case analyses, the Board of Supervisors strengthened leaders' and employees' learning of case prevention knowledge and systems as well as their vigilance of case prevention, improved leaders' and employees' awareness of consciously learning, understanding and following laws, asked leaders and employees to perform mutual supervision, and promote and remind each other so that they could learn by analogy and avoid relative risks. It also required them to further strengthen the implementation of responsibilities, always bear case prevention in mind, make various units pay more attention to case prevention, and strengthen the construction of case prevention systems.



## II. Board of Supervisors' Independent Opinions about Relative Matters

### (I) Legal Operation of the Bank

Within the reporting period, SRCB was operating according to laws and regulations, developing normally and steadily; various types of business were carried out fully and in an orderly manner, the quality of assets was improved regularly, risk management and internal control were strengthened continuously, operation achievements were improved significantly, SRCB's mechanism of making operational decisions was scientific and the corresponding decision-making process was legal, the enterprise governance was further completed; when directors and other senior officers performed their respective duties, there was no violation of laws, regulations and rules and there was recognition of issues that harm the interests of shareholders.

### (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 was audited by the Deloitte & Touche CPAs which issued a standard clean auditing report.

### (III) Related Transactions

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

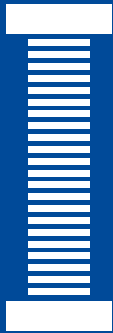
### (IV) Internal control system

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 Reached at 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 to 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 monitored the implementation of resolutions reached at the Shareholders' Meeting and considered that the SRCB Board of Directors could earnestly implement relative resolutions reached at 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

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## I. Names of Top Ten Shareholders and their Share Changes within the Reporting Period

During the reporting period, Shanghai Shengrong Investment Co., Ltd. the previous sixth largest shareholder of SRCB, has become the seventh largest one after transferring 21.721 million shares of SRCB it held to Shanxi Airline Co., Ltd. It has also transferred its ownership of 223,548,400 shares (accounting for 4.47% of SRCB's total share capital) of SRCB it held to its parent company named as Shanghai Guosheng Assets Co., Ltd. after being absorbed. Shanghai Guosheng Assets Co., Ltd. has become the seventh largest shareholder of SRCB.

In order to implement the reform spirit of a new round state-owned assets and enterprises in Shanghai, Shanghai International Group Co., Ltd., previous second largest shareholder of SRCB, has intergrated its internal resources after approved and agreed by the supervision department, and transferred freely 99,539,300 shares (accounting for 1.99% of SRCB's total share capitals) of SRCB it held to its wholly owned subsidiary, namely Shanghai State-owned Assets Operation Co., Ltd. which was previously the third largest shareholder of SRCB. After the changes of equities mentioned above, Shanghai State-owned Assets Operation Co., Ltd. has become the second largest shareholder of SRCB, holding 500 million shares (accounting for 10% of the total share capital) of SRCB; Shanghai International Group Co., Ltd. has become the fourth largest shareholder of SRCB, holding 300,921,400 shares (accounting for 6.02% of the total share capital) of SRCB.

(See "Company's Top Ten Shareholders' Shares and Changes" for details)

## II. Major Litigation or Arbitration

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

Within the reporting period, SRCB had 8 non-credit cases in total (including the cases in which SRCB was the defendant or respondent) with an amount of about RMB 54.03 million involved. As compared to 2014, there was a decrease of 3 cases, yet an increase in the amount involved by RMB 48.67 million, mainly because of a building construction dispute in 2015.

### (II) Credit Litigation or Arbitration

By the end of the reporting period, SRCB had 360 loan litigation cases closed in 2015. The amount involved for these cases was RMB 1,227,818,500. Within the reporting period, RMB 392,193,600 was recovered through litigation for the above cases.

By the end of the reporting period, SRCB had 611 outstanding loan litigation cases in 2015. The amount involved for these cases was RMB 4,063,377,500. Within the reporting period, RMB 309,308,700 was recovered through litigation for the above-mentioned loans

See the table below for the top 10 litigation cases among the outstanding cases for 2015 (arranged according to amount)

Unit: RMB 10,000 Yuan

No.	Borrower	Guarantor	Commencement Date	Expiration Date	Subject Matter of Litigation	Loans Recovered through Litigation	Litigation Date
1	Shanghai Xinjiang Real Industries Co., Ltd.	Shanghai Changhui Industrial Co., Ltd. Chen Minhua and Cheng Ziping	20130423	20130802	33665.00	0.00	20141217
2	Hot Pulse (Shanghai) Medical Products Co., Ltd.	--	20110416	20150520	10366.47	0.00	20150520
3	Jinpen Steel Pipe of China Construction Co., Ltd.	Jinpei Century Investment Group, Gao Jinliang	20091028	20150309	8980.00	0.00	20150309
4	Shanghai Far-East High and Medium Pressure Valve Co., Ltd.	--	20120410	20140408	8650.00	0.00	20140626

No.	Borrower	Guarantor	Commencement Date	Expiration Date	Subject Matter of Litigation	Loans Recovered through Litigation	Litigation Date
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	Shanghai Nengyi New Energy Technology Co., Ltd.	--	20101122	20150619	6500.00	0.00	20150619
7	Shanghai Yungfeng Automobile Industrial Development Co., Ltd.	--	20130408	20151119	5000.00	0.00	20151222
8	Brother Holding Group (Shanghai) Piston Co., Ltd.	Brother Holding Group, Wu Liuxiang and Li Shiqing	20130225	20150814	4792.00	150.00	20150814
9	Shanghai Gutai Metallic Material Co., Ltd.	Dai Zhiyao and Shi Shoushan	20040109	20141228	4350.00	51.78	20141228
10	Jiangsu Wanglushen Mobile Internet Software Technology Co., Ltd.	Jiangsu Wanglushen Culture Industry Investment Co., Ltd., Zhang Dezhou	20121109	20141110	3700.00	0.00	20141205

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

None.

### IV. Related Transaction Matters

By the end of the reporting period (31 Dec. 2015), related transactions of the Company included related asset transfer and related party credit. Balance of related transactions was RMB 1.058 billion, accounting for 2.43% of the company's net capital (RMB 43.596 billion). Wherein, the balance of related asset transfers was RMB 18.7428 million which involves one client while the balance of related party credit was RMB 1039 million involving 25 clients. Balance of related legal person credit extension in the related party credit was RMB 1009 million with 4 clients involved. Balance of related natural person credit extension was RMB 30 million with 21 clients involved. Transfer of related assets was made as batch transfer of non-performing assets and the transfer price covered the principal and interest of the loan extended by the Bank and legal fee; while related credit extension was made as loan, import credit of letter negotiation, import L/C opening they were classified as normal in five-category, without overdue and advance payment and without overdue interest.

The balance of SRCB's related transactions for the largest affiliated company, Yangtze River United Financial and Leasing Co., Ltd., was RMB 590 million, accounting for 1.35% of SRCB's net capital (RMB43.596 billion) which did not exceed the specified level of 10%. The balance of SRCB's related transaction for the largest group with "a single affiliation", Yangtze River United Financial and Leasing Co., Ltd., was RMB 590 million, accounting for 1.35% of SRCB's net capital (RMB 43.596 billion). which did not exceed the specified level of 15%. The total amount of related transactions for all affiliated companies was RMB 1058 million, accounting for 2.43% of SRCB's net capital (RMB 43.596) which did not exceed the specified level of 50%.

Unit: RMB 10,000 Yuan

Customer Name	Credit Balance	Five-level Classification	Guarantee Type
Yangtze River United Finance & Leasing Co., Ltd.	59000	正常	信用
Shanghai Guosheng (Group) Co., Ltd.	21350.56	正常	信用
Oriental International Group Shanghai Foreign Trade Ltd.	13406.96	正常	保证
Shanghai Shanxin Real Estate & Development Co., Ltd.	7150	正常	抵押

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## V. Information on Shareholders' Loans

### (I) Information on shareholders' loans when the balance of a single loan exceeds 1% of the net capital or the total balance of a single shareholder exceeds 5% of the net capital

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

### (II) Information on shareholders' loan balance of above RMB 30 million Yuan at the end of the year

Unit: RMB 10,000 Yuan

Shareholder's Name	Loan balance	Five-level Classification	Main Guarantee Style	Business Types
Shanghai Minhang Real Estate Development Co., Ltd	52000	Normal	Mortgage	Mortgage loans of operational properties
Shanghai Fengxian Construction Investment Co., Ltd	29000	Normal	Guarantee	Infrastructure Loans
Shanghai New Long March (Group) Co., Ltd.	14870	Normal	Mortgage	Mortgage loans of operational properties
Shanghai Wujiaochang (Group) Co., Ltd.	14574.30	Normal	Mortgage	Export credit bill of exchange, short-term liquidity loans, Mortgage loans of operational properties
Shanghai Pudi Investment Development Co., Ltd.	11146.91	Normal	Mortgage	Other project loans
Shanghai Pharmaceutical Group Co.,Ltd	10000	Normal	Guarantee	Short-term working capital Loans
Shanghai Beicai Assets Management Co., Ltd.	9900	Normal	Mortgage	Short-term working capital loans, mortgage loans of operational properties
Shanghai Shanxin Real Estate & Development Co., Ltd.	7150	Normal	Mortgage	Basic construction loan, Mortgage loans of operational properties
Shanghai Xinjiang Real Industries Co., Ltd.	5861.17	Normal	Mortgage	Mortgage loans of operational properties
Shanghai Malu Assets Management Co., Ltd.	5000	Attention	Guarantee	Short-term working capital Loans
Shanghai Qingpu Auto Lamp Painting Factory	4000	Normal	Mortgage and pledge	Short-term working capital Loans
Shanghai Shenjiang Forging Co., Ltd.	3080	Normal	Guaranteed mortgage	Short-term working capital Loans

### (III) Information on non-performing loans among shareholders' loans based on five-level classification standard

By the end of the reporting period, the Company had one non-performing loan with its shareholder with a loan balance of RMB 3.5092 million, ranked as a sub-category in the five categories, main security being mortgage.

### (IV) Information on non-performing loans of shareholders and their associated enterprises

By the end of the reporting period, the Company had one non-performing loan with its shareholder with a loan balance of RMB 3.5092 million, ranked as a sub-category in the five categories, main security being mortgage.



## VI. Major Contracts and Compliance Situation

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

## VII. Appointment and Dismissal of Accounting Firms

SRCB invited the Deloitte & Touche CPAs. to audit SRCB's financial report prepared in accordance with the domestic Accounting Criteria for Enterprises. The above proposal on engagement of external auditor was reviewed and approved at the 21st meeting of the Second Board of Directors of the Company.

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

None.

## IX. Other Important Information Necessary for Public Knowledge

### (I) Obtainment of Business Entrance Qualification

During the reporting period, the company obtained qualification for underwriting savings bonds, as well as qualification for acting as principal underwriter for Class B non-financial corporate debt financing instruments. It also handles a domestic foreign currency payment system, personal e-banking foreign exchange settlement and sale service, foreign exchange option, FTA split accounting services, domestic foreign currency payment system, liquidation service for bond transactions, credit assets securitization and other business qualifications.

### (II) Changes in Directors and Supervisors

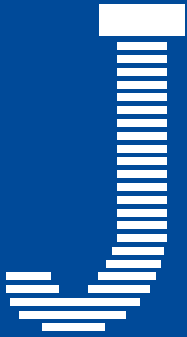
See "Changes in Directors, Supervisors and Senior Officers within Reporting Period".

### (III) Matters for Future Attention

None.

## X. Change in Enterprise Name within Reporting Period

None.



## List of Financial Statements and Documents for Future Reference

Financial Statements (See the attachments)

List of Documents for Reference



## I. Financial Statements (See the attachment)

- (I) Audit Report
- (II) Financial Statements
- (III) Financial Statement Notes

## II. List of Documents for Reference

- (I) Accounting statements signed by the legal representative, bank president, and accounting department leader.
- (II) Original audit reports signed and sealed by the certified public accounting firm and the certified public accountant concerned.
- (III) Original annual report signed by the Chairman of the Board of Directors.
- (IV) Original copies of all the documents and announcements publicly disclosed on the Shanghai Financial News and other newspapers within the reporting period.
- (V) Articles of Association.

## Directors and Senior Officers of the Company on the 2015 Annual Report Written Confirmation Opinions

According to regulations and requirements of the "Measures on Information Disclosure of Commercial Banks" (CBRC [2007] No.7 Directive) and the "Special Regulations on Information Disclosure of Commercial Banks" (CBRC [2008] No.33 Announcement), we as SRCB directors and senior officers issue the following comments after fully knowing and reviewing the 2015 Annual Work Report of SRCB:

1. SRCB runs in strict accordance with the Accounting Criteria for Enterprises and relative system specifications. The 2015 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 2015 Annual Work Report of SRCB has no false records, misleading statements or material omissions and meets the requirements of relative regulatory agencies and the actual conditions of SRCB's operation and management.
3. The 2015 annual financial statements have been audited by the Deloitte & Touche CPAs which issued a standard unbiased auditing report.

## Signatures of Directors:

			
Ji Guangheng	Xu Li	Shen Xunfang	Williams
			
Bu Leda	Deng Weili	Wang Weihua	Yu Zhongmin
			
Chen Shujai	Xue Jian	Zhang Liping	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	



# 3

Align strategic visions with all parties with independent listing as the mid-term objective

Intensify team construction throughout the Bank with focus on strict governance

Optimize the assessment and incentive mode with benefit increased efficiency as our operational guide

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Financial Statements and Report of the Auditors









# Financial Statements and Report of the Auditors

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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 (16) No.P1030

## 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 2015, 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 2015, 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 2016

Chinese Certified  
Public Accountant

曾浩

Zeng Hao



Chinese Certified  
Public Accountant

吴立志

Wu Lingzhi



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

## CONSOLIDATED AND BANK'S BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2015

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

Assets	Notes	Group		Bank	
		As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Cash and balances with central bank	VIII.1	71,054,780	77,687,458	67,073,644	74,286,474
Due from banks and other financial institutions	VIII.2	12,363,962	11,117,217	8,148,208	7,526,332
Placements with banks and other financial institutions	VIII.3	20,096,283	16,401,840	20,096,283	16,401,840
Precious Metals		625,654	50,725	625,654	50,725
Financial assets at fair value through profit or loss	VIII.4	1,757,094	2,925,318	1,757,094	2,925,318
Derivative financial assets	VIII.5	225,390	8,580	225,390	8,580
Financial assets purchased under resale agreements	VIII.6	16,693,625	11,315,923	16,693,625	11,315,923
Interest receivables	VIII.7	2,536,722	1,996,355	2,481,135	1,938,245
Loans and advances to customers	VIII.8	289,035,448	252,017,627	275,378,164	239,756,865
Available-for-sale financial assets	VIII.9	95,619,557	51,385,908	94,948,463	51,235,908
Held-to-maturity investments	VIII.10	56,809,691	40,420,566	56,809,691	40,420,566
Investments classified as loans and receivables	VIII.11	9,711,855	9,791,832	9,711,855	9,791,832
Long-term equity investments	VIII.12	581,430	354,141	1,659,230	1,431,941
Property and equipment	VIII.13	6,675,531	6,687,419	6,541,396	6,545,090
Deferred tax assets	VIII.14	1,770,200	1,721,160	1,623,962	1,641,731
Other assets	VIII.15	1,456,322	1,421,112	1,338,853	1,323,571
<b>TOTAL ASSETS</b>		<b>587,013,544</b>	<b>485,303,181</b>	<b>565,112,647</b>	<b>466,600,941</b>

Liabilities	Notes	Group		Bank	
		As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Borrowings from central bank		3,434,500	2,169,000	2,700,000	500,000
Due to banks and other financial institutions	VIII.17	48,693,930	9,145,963	54,119,905	14,388,989
Placements from banks and other financial institutions	VIII.18	1,382,696	1,902,868	1,382,696	1,902,868
Derivative financial liabilities	VIII.5	42,669	17,674	42,669	17,674
Financial assets sold under repurchase agreements	VIII.19	21,903,570	18,569,533	21,903,570	18,569,533
Due to customers	VIII.20	450,368,329	395,678,145	425,875,155	375,124,619
Employee benefits payables	VIII.21	1,931,082	1,635,743	1,911,720	1,617,867
Tax payables	VIII.22	1,001,903	1,032,493	929,021	965,714
Interest payables	VIII.23	9,771,569	8,293,829	9,573,748	8,191,721
Debt securities issued	VIII.24	3,968,322	7,955,158	3,968,322	7,955,158
Other liabilities	VIII.25	1,188,497	759,264	1,158,202	668,906
<b>TOTAL LIABILITIES</b>		<b>543,687,067</b>	<b>447,159,670</b>	<b>523,565,008</b>	<b>429,903,049</b>
<b>SHAREHOLDERS' EQUITY:</b>					
Share capital	VIII.26	5,000,000	5,000,000	5,000,000	5,000,000
Capital reserve	VIII.27	8,111,058	8,111,058	8,111,058	8,111,058
Other comprehensive income	VIII.28	777,125	493,460	777,125	493,460
Surplus reserve	VIII.29	8,941,611	7,430,043	8,890,097	7,404,874
General reserve	VIII.30	5,184,169	4,001,040	5,070,355	3,968,461
Retained earnings	VIII.31	13,886,013	11,847,190	13,699,004	11,720,039
Equity attributable to shareholders of the Bank		41,899,976	36,882,791		
Non-controlling interests		1,426,501	1,260,720		
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>43,326,477</b>	<b>38,143,511</b>	<b>41,547,639</b>	<b>36,697,892</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>587,013,544</b>	<b>485,303,181</b>	<b>565,112,647</b>	<b>466,600,941</b>

The accompanying notes form part of the financial statements.

The financial statements on pages 04 to 86 were signed by the following:

Ji Guangheng  
法定代表人



XuLi  
主管会计工作负责人



Yao Xiaogang  
会计机构负责人



## CONSOLIDATED AND BANK'S INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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

Item	Notes	Group		Bank	
		As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
<b>I. Operating income</b>		15,284,657	14,151,303	14,326,623	13,222,086
Net interest income	VIII.32	11,684,979	12,271,867	10,631,439	11,243,166
Interest income	VIII.32	23,864,205	22,479,406	22,616,890	21,388,586
Interest expense	VIII.32	(12,179,226)	(10,207,539)	(11,985,451)	(10,145,420)
Net fee and commission income	VIII.33	1,399,284	1,054,048	1,508,125	1,143,438
Fee and commission income	VIII.33	1,534,992	1,175,711	1,636,203	1,260,903
Fee and commission expense	VIII.33	(135,708)	(121,663)	(128,078)	(117,465)
Investment income	VIII.34	2,055,937	739,735	2,043,120	750,069
of which: share of profit of associates		71,289	7,562	71,289	7,562
Gains/(losses) from changes in fair value		191,778	(991)	191,778	(991)
Exchange gains		(76,885)	61,212	(76,885)	61,212
Other operating income		29,564	25,432	29,046	25,192
<b>II. Operating expenses</b>		(8,189,105)	(8,173,342)	(7,461,225)	(7,558,431)
Business taxes and levies	VIII.35	(951,701)	(820,220)	(913,967)	(786,664)
General and administrative expenses	VIII.36	(5,430,715)	(5,394,293)	(5,037,460)	(5,026,703)
Impairment losses on assets	VIII.37	(1,783,262)	(1,938,580)	(1,487,943)	(1,725,431)
Other operating expense		(23,427)	(20,249)	(21,855)	(19,633)
<b>III. Operating income</b>		7,095,552	5,977,961	6,865,398	5,663,655
Non-operating income	VIII.38	283,037	221,354	70,729	119,840
Non-operating expenses	VIII.39	(152,836)	(32,439)	(152,141)	(31,412)
<b>IV. Profit before tax</b>		7,225,753	6,166,876	6,783,986	5,752,083
Income tax	VIII.40	(1,418,313)	(1,153,881)	(1,317,904)	(1,047,547)
<b>V. Net profit</b>		5,807,440	5,012,995	5,466,082	4,704,536
Net profit attributable to shareholders of the Bank		5,633,520	4,848,224		
Net profit attributable to non-controlling interests		173,920	164,771		
<b>XI. Other comprehensive income</b>	VIII.28	283,665	866,317	283,665	866,317
Other comprehensive income attributable to shareholders of the Bank		283,665	866,317		
1. Items that will not be reclassified to profit and loss					
Remeasurement of defined benefit plans		(5,019)	-	(5,019)	-
2. Other comprehensive income items which will be reclassified subsequently to profit or loss					
Changes in fair value of available-for-sale financial assets		288,684	866,317	288,684	866,317
Other comprehensive income attributable to non-controlling interests		-	-		
<b>VII. Total comprehensive income</b>		6,091,105	5,879,312	5,749,747	5,570,853
Total comprehensive income attributable to shareholders of the Bank		5,917,185	5,714,541		
Total comprehensive income attributable to non-controlling interests		173,920	164,771		

## CONSOLIDATED AND BANK'S STATEMENT OF CASH FLOWS FOR THE YEAR ENED 31 DECEMBER 2015

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

Item	Notes	Group		Bank	
		As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
<b>I. Cash flows from operating activities:</b>					
Net increase in customer deposits and due to other banks		94,238,152	44,388,186	90,481,452	41,024,003
Net decrease in balances with central bank and due from banks and other financial institutions		3,649,820	-	4,458,387	-
Net decrease in financial assets purchased under resale agreements		-	5,713,705	-	5,713,705
Net increase in financial assets sold under repurchase agreements		3,334,037	10,084,481	3,334,037	10,084,481
Net increase in borrowings from central bank		1,265,500	1,020,000	2,200,000	500,000
Interest received		19,820,604	19,148,163	18,570,766	18,079,081
Fee and commission received		1,534,992	1,175,711	1,636,203	1,260,903
Cash received relating to other operating activities		638,850	1,116,244	493,061	947,498
Sub-total of cash inflows		124,481,955	82,646,490	121,173,906	77,609,671
Net increase in loans and advances to customers		(38,648,149)	(30,801,473)	(36,982,499)	(28,087,505)
Net increase in balances with central bank and due from banks and other financial institutions		-	(9,806,909)	-	(9,512,197)
Net increase in financial assets purchased under resale agreements		(5,377,702)	-	(5,377,702)	-
Net increase in placements with banks and other financial institutions		(3,694,443)	(11,120,651)	(3,694,443)	(11,120,652)
Net decrease in placements from banks and other financial institutions		(520,173)	(141,778)	(520,173)	(141,778)
Interest paid		(10,090,614)	(8,508,376)	(9,992,550)	(8,486,291)
Fee and commission paid		(135,708)	(121,663)	(128,078)	(117,465)
Cash payments to and on behalf of employees		(2,958,847)	(3,014,118)	(2,774,504)	(2,852,225)
Payments of various types of taxes		(2,549,556)	(1,966,845)	(2,350,826)	(1,807,199)
Cash paid relating to other operating activities		(2,213,166)	(1,406,393)	(2,043,485)	(1,248,015)
Sub-total of cash outflows		(66,188,358)	(66,888,206)	(63,864,260)	(63,373,327)
Net cash flows from operating activities	VIII.41(1)	58,293,597	15,758,284	57,309,646	14,236,344
<b>II. Cash flows from investing activities:</b>					
Cash received from disposal of investments		30,950,680	51,508,863	30,800,680	51,405,584
Cash received from returns on investments		9,947,234	3,682,917	9,960,564	3,692,680
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		106,445	76,607	93,985	73,886
Sub-total of cash inflows		41,004,359	55,268,387	40,855,229	55,172,150
Cash paid to acquire investments		(94,713,640)	(74,483,707)	(94,042,547)	(74,324,484)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(814,581)	(1,727,231)	(757,186)	(1,688,059)
Sub-total of cash outflows		(95,528,221)	(76,210,938)	(94,799,733)	(76,012,543)
Net cash flows from investing activities		(54,523,862)	(20,942,551)	(53,944,504)	(20,840,393)



Item	Notes	Group		Bank	
		As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
<b>III. Cash flows from financing activities:</b>					
Proceeds from debt securities issued		3,897,574	2,950,341	3,897,574	2,950,341
Sub-total of cash inflows		3,897,574	2,950,341	3,897,574	2,950,341
Repayment of debts securities issued		(7,955,158)	(1,500,000)	(7,955,158)	(1,500,000)
Cash payments for distribution of dividends		(1,448,264)	(1,023,917)	(1,440,125)	(999,500)
Sub-total of cash outflows		(9,403,422)	(2,523,917)	(9,395,283)	(2,499,500)
Net cash from financing activities		(5,505,848)	426,424	(5,497,709)	450,841
<b>IV. Net (decrease)/increase in cash and cash equivalents</b>		(1,736,113)	(4,757,843)	(2,132,567)	(6,153,208)
Add: cash and cash equivalents at the beginning of the year		16,528,698	21,286,541	12,536,098	18,689,306
<b>V. Cash and cash equivalents at the end of the year</b>	VIII.41(2)	14,792,585	16,528,698	10,403,531	12,536,098

## BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

As at 31 December 2015								
Item	Capital and reserves attributable to shareholders of the Bank						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
I. Opening balance of the year	5,000,000	8,111,058	493,460	7,430,043	4,001,040	11,847,190	1,260,720	38,143,511
II. Changes for the year								
1. Total Comprehensive income	-	-	283,665	-	-	5,633,520	173,920	6,091,105
2. Profit distribution	-	-	-	1,511,568	1,183,129	(3,594,697)	(8,139)	(908,139)
(1) Transfer to surplus reserve	-	-	-	1,511,568	-	(1,511,568)	-	-
(2) Transfer to general reserve	-	-	-	-	1,183,129	(1,183,129)	-	-
(3) Distributions to Shareholders	-	-	-	-	-	(900,000)	(8,139)	(908,139)
III. Closing balance of the year	5,000,000	8,111,058	777,125	8,941,611	5,184,169	13,886,013	1,426,501	43,326,477

As at 31 December 2014								
Item	Capital and reserves attributable to shareholders of the Bank						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
I. Opening balance of the year	5,000,000	8,111,058	(372,857)	6,144,094	3,584,116	9,401,839	1,120,366	32,988,616
II. Changes for the year								
1. Total Comprehensive income	-	-	866,317	-	-	4,848,224	164,771	5,879,312
2. Profit distribution	-	-	-	1,285,949	416,924	(2,402,873)	(24,417)	(724,417)
(1) Transfer to surplus reserve	-	-	-	1,285,949	-	(1,285,949)	-	-
(2) Transfer to general reserve	-	-	-	-	416,924	(416,924)	-	-
(3) Distributions to Shareholders	-	-	-	-	-	(700,000)	(24,417)	(724,417)
III. Closing balance of the year	5,000,000	8,111,058	493,460	7,430,043	4,001,040	11,847,190	1,260,720	38,143,511

## BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

As at 31 December 2015							
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	493,460	7,404,874	3,968,461	11,720,039	36,697,892
II. Changes for the year							
1. Total Comprehensive income	-	-	283,665	-	-	5,466,082	5,749,747
2. Profit distribution	-	-	-	1,485,223	1,101,894	(3,487,117)	(900,000)
(1) Transfer to surplus reserve	-	-	-	1,485,223	-	(1,485,223)	-
(2) Transfer to general reserve	-	-	-	-	1,101,894	(1,101,894)	-
(3) Distributions to Shareholders	-	-	-	-	-	(900,000)	(900,000)
III. Closing balance of the year	5,000,000	8,111,058	777,125	8,890,097	5,070,355	13,699,004	41,547,639

As at 31 December 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
2. Profit distribution	-	-	-	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)
III. 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

The accompanying notes form part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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 2015, 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 State-owned Assets management Co., Ltd., China Pacific Life Insurance Co., Ltd., Shanghai International (Group) Co., Ltd., Shenzhen Lenovo Science and Technology Park Co., Ltd., which own 20.00%, 10.00%, 7.00%, 6.02% and 5.73% of the ordinary shares of the Bank respectively.

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

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The 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 2015, 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, 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 Asset-backed securities business**

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

#### **7.6 Classification, recognition and measurement of financial liabilities**

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

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

##### **Financial liabilities at fair value through profit or loss**

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

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

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; (2) the financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; and (3) the hybrid instrument that is embedded with derivative instruments may be designated as at FVTPL in accordance with the principles set out in Accounting Standard for Business Enterprises No.22 - Financial Instruments: Recognition and Measurement ("ASBE22").

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

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

##### **Other financial liabilities**

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

#### **7.7 De-recognition of Financial Liabilities**

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is

discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying 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.

#### *7.8 Derivatives and embedded derivatives*

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

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

#### *7.9 Offsetting financial assets and financial liabilities*

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

#### *7.10 Equity instruments*

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

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

### **8. Precious metals**

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

### **9. Long-term equity investments**

#### *9.1 Basis for determining 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 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.

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.

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

**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. TAXATION

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

Category of tax	Basis of tax computation	Tax rate
Business tax <sup>(Note 1)</sup>	Taxable Income	3%-5%
Enterprise income tax <sup>(Note 2)</sup>	Taxable Business Income	15%-25%
Urban construction tax	Business tax	1%-7%
Education surcharge	Business tax	3%
Local education surcharge	Business tax	2%
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% or 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%.

## VII. 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. <sup>(Note1)</sup>	Shanghai	105,260	Financial Industry	48.45	50.10
Shandong Huaiyin Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Changqing County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Ningyang County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Dongping County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Linqing County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Liao City Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Liao City Chiping District Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Liao City Yanggu District Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Rizhao Economic Development District Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Taian County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Hunan Ningxiang County Village Bank Co., Ltd.	Hunan	100,000	Financial Industry	51.00	51.00
Hunan Shuangfeng Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Lianyuan County Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Liling County Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Shimen Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Cili Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Li County Shanghai Billage 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

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 (%)
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. <sup>(Note2)</sup>	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 2015 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.

## VIII. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

### 1. Cash and balances with central bank

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Cash on hand	2,645,578	2,512,730	2,548,874	2,418,710
Restricted reserve deposits with central bank	61,160,957	68,331,977	59,018,321	65,816,708
Balances with the central Bank other than restricted reserve deposits	7,167,793	6,824,798	5,426,308	6,033,103
Others	80,452	17,953	80,141	17,953
<b>Total</b>	<b>71,054,780</b>	<b>77,687,458</b>	<b>67,073,644</b>	<b>74,286,474</b>

The Group is required to maintain statutory deposit reserves with the People's Bank of China ("PBOC"). Such statutory deposit reserves are not available for use by the Group for its day-to-day operations. As of 31 December 2015, the Bank's reserve ratio for customer deposits denominated in RMB is 14% (31 December 2014: 18%); the Bank's and subsidiaries' reserve ratio for deposits denominated in foreign currencies is 5% (31 December 2014: 5 %). The subsidiaries' reserve ratio for customer deposits denominated in RMB is 8.5% or 9.5% (31 December 2014: 13% or 14%). 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 bank 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 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Deposits with domestic financial institutions	12,236,320	10,823,279	8,020,566	7,232,394
Deposits with overseas financial institutions	127,642	293,938	127,642	293,938
<b>Total</b>	<b>12,363,962</b>	<b>11,117,217</b>	<b>8,148,208</b>	<b>7,526,332</b>

## 3. Placements with financial institutions

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Placements with domestic banks	2,841,475	1,161,840
Placements with overseas banks	194,808	-
Placements with other financial institutions	17,060,000	15,240,000
<b>Total</b>	<b>20,096,283</b>	<b>16,401,840</b>

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

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Government bonds	-	373,845
Financial institution bonds	955,694	996,578
Corporate bonds	180,220	768,180
Interbank negotiable certificates of deposit	621,180	786,715
<b>Total</b>	<b>1,757,094</b>	<b>2,925,318</b>

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

## 5. Derivative financial instruments

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

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

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

Item	Group and Bank					
	As at 31 December 2015			As at 31 December 2014		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	20,202,720	204,451	(39,757)	3,176,963	7,212	(6,772)
Exchange rate derivatives	3,500,000	2,783	(2,912)	300,000	157	(578)
Precious metal derivatives	523,237	18,156	-	288,288	1,211	(10,324)
<b>Total</b>	<b>24,225,957</b>	<b>225,390</b>	<b>(42,669)</b>	<b>3,765,251</b>	<b>8,580</b>	<b>(17,674)</b>



## 6. Financial assets purchased under resale agreements

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Bills	2,833,673	4,582,689
Securities	13,859,952	6,733,234
<b>Total</b>	<b>16,693,625</b>	<b>11,315,923</b>

## 7. Interest receivables

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Financial assets at fair value through profit or loss	45,372	36,303	45,372	36,303
Held-to-maturity investments	951,284	684,014	951,284	684,014
Loans and advances to customers	493,146	507,894	451,624	467,946
Available-for-sale financial assets	744,385	569,277	744,385	568,748
Investments classified as loans and receivables	36,034	38,077	36,034	38,077
Others	266,501	160,790	252,436	143,157
<b>Total</b>	<b>2,536,722</b>	<b>1,996,355</b>	<b>2,481,135</b>	<b>1,938,245</b>

## 8. Loans and advances to customers

### (1) Analysis by types

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
<b>Individual loans and advances to customers</b>				
- Individual mortgage loans	36,857,839	23,658,547	36,372,494	23,333,229
- Individual business loans	7,493,329	6,470,287	2,288,476	2,246,451
- Individual consumption loans	1,844,081	761,506	1,402,257	373,847
- Credit cards	2,150,477	1,344,195	2,150,477	1,344,195
- Others	478,186	456,331	190,835	305,111
<b>Subtotal</b>	<b>48,823,912</b>	<b>32,690,866</b>	<b>42,404,539</b>	<b>27,602,833</b>
<b>Corporate loans and advances to customers</b>				
- Loans	175,021,940	171,000,300	167,032,031	163,359,297
- Discounted bills	73,479,891	55,360,507	73,472,221	55,358,807
<b>Subtotal</b>	<b>248,501,831</b>	<b>226,360,807</b>	<b>240,504,252</b>	<b>218,718,104</b>
<b>Total</b>	<b>297,325,743</b>	<b>259,051,673</b>	<b>282,908,791</b>	<b>246,320,937</b>
Less: Allowance for impairment losses	(8,290,295)	(7,034,046)	(7,530,627)	(6,564,072)
Including: collectively assessed	(1,839,551)	(1,304,730)	(1,668,121)	(1,290,127)
individually assessed	(6,450,744)	(5,729,316)	(5,862,506)	(5,273,945)
<b>Carrying amount</b>	<b>289,035,448</b>	<b>252,017,627</b>	<b>275,378,164</b>	<b>239,756,865</b>

## (2) Analysis by industry sectors

Industry sector	Group				Bank			
	As at 31 December 2015	Proportion (%)	As at 31 December 2014	Proportion (%)	As at 31 December 2015	Proportion (%)	As at 31 December 2014	Proportion (%)
Manufacturing	42,522,507	14.32	42,803,414	16.53	40,042,651	14.15	40,166,518	16.31
Real estate	40,202,922	13.52	40,587,393	15.67	40,157,535	14.19	40,587,393	16.49
Rental and commercial services	36,946,883	12.43	37,098,695	14.32	36,433,947	12.88	36,969,295	15.01
Wholesale and retail	17,551,237	5.90	17,063,836	6.59	15,685,740	5.54	15,218,267	6.18
Construction	10,271,270	3.45	10,678,316	4.12	9,599,388	3.39	10,197,106	4.14
Transportation, storage and postal service	4,282,801	1.44	5,413,839	2.09	4,105,814	1.45	5,330,159	2.16
Water environmental and public utilities	5,779,024	1.94	5,062,648	1.95	5,614,324	1.98	4,962,698	2.01
Farming, forest, herd and fishery	4,056,074	1.36	4,224,580	1.63	2,737,273	0.97	2,892,638	1.17
Residential and other services	1,457,849	0.49	1,373,943	0.53	1,361,539	0.48	1,315,885	0.53
Hotel and restaurant	1,598,328	0.54	2,045,226	0.79	1,438,981	0.51	1,768,576	0.72
Others	10,353,045	3.48	4,648,410	1.79	9,854,839	3.50	3,950,762	1.60
Discount bills	73,479,891	24.71	55,360,507	21.37	73,472,221	25.97	55,358,807	22.47
Corporate loans	248,501,831	83.58	226,360,807	87.38	240,504,252	85.01	218,718,104	88.79
Individual loans	48,823,912	16.42	32,690,866	12.62	42,404,539	14.99	27,602,833	11.21
Total	297,325,743	100.00	259,051,673	100.00	282,908,791	100.00	246,320,937	100.00
Less: Allowance for impairment losses	(8,290,295)		(7,034,046)		(7,530,627)		(6,564,072)	
Including: individually assessed	(1,839,551)		(1,304,730)		(1,668,121)		(1,290,127)	
collectively assessed	(6,450,744)		(5,729,316)		(5,862,506)		(5,273,945)	
Carrying amount	289,035,448		252,017,627		275,378,164		239,756,865	

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				Bank			
	As at 31 December 2015	Proportion (%)	As at 31 December 2014	Proportion (%)	As at 31 December 2015	Proportion (%)	As at 31 December 2014	Proportion (%)
Joint-stock enterprises	94,655,095	31.84	85,821,259	33.13	92,178,043	32.58	85,695,283	34.79
Private enterprises	28,060,316	9.44	30,806,953	11.89	23,590,750	8.34	23,708,782	9.63
State-owned enterprises	24,651,289	8.29	29,212,040	11.28	24,261,639	8.58	29,187,040	11.85
Collectively owned enterprises	10,921,731	3.67	13,949,663	5.38	10,694,366	3.78	13,944,199	5.66
Foreign invested enterprises	4,963,025	1.67	5,227,115	2.02	4,926,421	1.74	5,227,115	2.12
Others	11,770,484	3.96	5,983,270	2.31	11,380,812	4.02	5,596,878	2.27
Discount bills	73,479,891	24.71	55,360,507	21.37	73,472,221	25.97	55,358,807	22.47
Corporate loans	248,501,831	83.58	226,360,807	87.38	240,504,252	85.01	218,718,104	88.79
Individual loans	48,823,912	16.42	32,690,866	12.62	42,404,539	14.99	27,602,833	11.21
Total	297,325,743	100.00	259,051,673	100.00	282,908,791	100.00	246,320,937	100.00
Less: Allowance for impairment losses	(8,290,295)		(7,034,046)		(7,530,627)		(6,564,072)	
Including: individually assessed	(1,839,551)		(1,304,730)		(1,668,121)		(1,290,127)	
collectively assessed	(6,450,744)		(5,729,316)		(5,862,506)		(5,273,945)	
Carrying amount	289,035,448		252,017,627		275,378,164		239,756,865	

*(4) Analysis by collateral patterns*

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Unsecured	17,966,823	13,842,089	17,637,181	13,757,052
Guaranteed	43,096,281	46,519,129	37,155,367	40,361,840
<b>Collateral</b>				
Including: Mortgage	149,449,546	137,435,394	141,845,306	131,639,980
Pledge	86,813,093	61,255,061	86,270,937	60,562,065
Total	297,325,743	259,051,673	282,908,791	246,320,937
Less: Allowance for impairment losses	(8,290,295)	(7,034,046)	(7,530,627)	(6,564,072)
Including: individually assessed	(1,839,551)	(1,304,730)	(1,668,121)	(1,290,127)
collectively assessed	(6,450,744)	(5,729,316)	(5,862,506)	(5,273,945)
Carrying amount	289,035,448	252,017,627	275,378,164	239,756,865

*(5) Overdue loans are presented as follows*

Item	Group				
	As at 31 December 2015				
	Past due up to 90 days	Past due 90 days - 1 year	Past due 1-3 years	Past due over 3 years	Total
Unsecured	130,065	44,296	48,386	2,546	225,293
Guaranteed	315,015	352,526	379,715	74,204	1,121,460
<b>Collateral</b>					
Including: Mortgage	834,841	1,189,440	1,648,937	359,909	4,033,127
Pledge	19,769	61,675	23,659	-	105,103
<b>Total</b>	1,299,690	1,647,937	2,100,697	436,659	5,484,983

Item	Group				
	As at 31 December 2014				
	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
<b>Collateral</b>					
Including: Mortgage	654,489	713,402	1,517,320	106,700	2,991,911
Pledge	10,481	44,059	-	-	54,540
<b>Total</b>	929,024	1,215,395	1,781,432	130,909	4,056,760

Bank					
As at 31 December 2015					
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	124,605	41,411	47,039	2,546	215,601
Guaranteed	180,243	113,050	319,952	74,204	687,449
<b>Collateral</b>					
Including: Mortgage	772,090	1,039,566	1,589,789	356,526	3,757,971
Pledge	8,274	52,695	23,659	-	84,628
<b>Total</b>	<b>1,085,212</b>	<b>1,246,722</b>	<b>1,980,439</b>	<b>433,276</b>	<b>4,745,649</b>

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
<b>Collateral</b>					
Including: Mortgage	643,327	688,721	1,501,235	106,700	2,939,983
Pledge	5,023	44,059	-	-	49,082
<b>Total</b>	<b>863,798</b>	<b>1,162,596</b>	<b>1,763,712</b>	<b>130,909</b>	<b>3,921,015</b>

(6) Allowance for impairment losses

Item	Group			Bank		
	2015			2015		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
As at 1 January	1,304,730	5,729,316	7,034,046	1,290,127	5,273,945	6,564,072
Charge for the year	1,105,574	670,691	1,776,265	943,122	537,824	1,480,946
Transfer from liability as a result of collection of non-performing assets transferred out <sup>(Note)</sup>	-	50,737	50,737	-	50,737	50,737
Recovery of loans previously written off	61,671	-	61,671	61,671	-	61,671
Write off	(512,678)	-	(512,678)	(507,053)	-	(507,053)
Unwinding of discount	(119,746)	-	(119,746)	(119,746)	-	(119,746)
<b>As at 31 December</b>	<b>1,839,551</b>	<b>6,450,744</b>	<b>8,290,295</b>	<b>1,668,121</b>	<b>5,862,506</b>	<b>7,530,627</b>

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	-	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)
<b>As at 31 December</b>	<b>1,304,730</b>	<b>5,729,316</b>	<b>7,034,046</b>	<b>1,290,127</b>	<b>5,273,945</b>	<b>6,564,072</b>

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 RMB50,737 thousand and RMB675 thousand in 2015 and 2014 respectively in allowance for loan impairment.

## 9. Available-for-sale financial assets

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Bonds				
- Government bonds	8,254,625	7,570,417	8,254,625	7,570,417
- Financial institution bonds	14,314,631	10,556,811	14,314,631	10,556,811
- Corporate bonds	15,786,223	11,593,861	15,115,129	11,443,861
- Interbank negotiable certificates of deposit	9,567,791	2,338,070	9,567,791	2,338,070
Wealth management products issued by other banks	37,819,070	14,005,677	37,819,070	14,005,677
Equity instruments <sup>(Note)</sup>	2,298,393	3,254,386	2,298,393	3,254,386
Trust and asset management plans	8,552,671	3,467,028	8,552,671	3,467,028
<b>Total</b>	<b>96,593,404</b>	<b>52,786,250</b>	<b>95,922,310</b>	<b>52,636,250</b>
Less: impairment allowance for available-for-sale financial assets	(973,847)	(1,400,342)	(973,847)	(1,400,342)
<b>Carrying amount</b>	<b>95,619,557</b>	<b>51,385,908</b>	<b>94,948,463</b>	<b>51,235,908</b>

Note: As at 31 December 2015, the equity investment mainly consists of:

The Bank restructured loans and receivables from Fuyou Security Co., Ltd. as equity investment. Fair value of the equity investment is RMB660,570 thousand. The equity investments recognised impairment provision is RMB951,423 thousand.

As at 31 December 2015, 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.

## 10. Held-to-maturity investments

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Government bonds	44,900,985	30,689,070
Financial institution bonds	4,314,995	2,073,241
Corporate bonds	7,084,280	7,658,255
Interbank deposit	29,970	-
Asset-backed security	479,461	-
Total	56,809,691	40,420,566
Less: impairment allowance for held-to-maturity investments	-	-
Carrying amount	56,809,691	40,420,566

## 11. Investments classified as loans and receivables

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Government bonds	111,069	111,780
Trust and asset management plans	9,644,087	9,716,356
Less: impairment allowance for investments classified as loans and receivables	(43,301)	(36,304)
Total	9,711,855	9,791,832

## 12. Long-term equity investments

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Subsidiaries			1,077,800	1,077,800
Associates	685,041	457,752	685,041	457,752
Less: impairment allowance of long-term equity investment	(103,611)	(103,611)	(103,611)	(103,611)
Total	581,430	354,141	1,659,230	1,431,941

### (1) Associates

Name	Registration place	Nature of business	Registered capital	Shares held (%)	Percentage of voting rate (%)	Group and Bank			
						As at 31 December 2015		Year ended 31 December 2015	
						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	1,343,993	282	-	25,962
Shanghai Hu Yang Highway Development Co., Ltd.	Shanghai	Highway management	550,000	35	35	1,454,080	811,893	253,244	41,194
Yangtze United Financial Leasing Co., Ltd.	Shanghai	Finance lease	1,000,000	30	30	5,889,720	4,884,689	89,404	4,728
Total						8,687,793	5,696,864	342,648	71,884



Name	Registration place	Nature of business	Registered capital	Shares held (%)	Percentage of voting rate (%)	Group and Bank			
						As at 31 December 2015		Year ended 31 December 2015	
						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)
<b>Total</b>						4,385,566	2,320,652	364,509	61,745

Investments in associates are listed as follows:

Name	Group and Bank			
	Initial investment cost	As at 1 January 2015	Net profit/(loss) under equity method	As at 31 December 2015
Shanghai Jingyi Industry Development Co., Ltd.	367,000	103,611	-	103,611
Shanghai Hu Yang Highway Development Co., Ltd.	192,500	265,593	14,419	280,012
Shanghai Southeast Suburb Ring Highway Development Co., Ltd.	248,400	88,548	(88,548)	-
Yangtze United Financial Leasing Co., Ltd.	300,000	-	301,418	301,418
<b>Total</b>	1,107,900	457,752	227,289	685,041

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
<b>Total</b>	807,900	450,190	7,562	457,752

## (2) Impairment of long-term equity investment

Item	As at 31 December 2015	As at 31 December 2014
Shanghai Jingyi Industry Development Co., Ltd.	(103,611)	(103,611)
<b>Total</b>	(103,611)	(103,611)

## 13. Property and equipment

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Fixed assets	4,585,545	4,899,434	4,454,431	4,757,190
Construction in progress ("CIP")	2,089,986	1,787,985	2,086,965	1,787,900
<b>Total</b>	6,675,531	6,687,419	6,541,396	6,545,090

## (1) Movement of fixed assets

Item	Group					Total
	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	
<b>Cost</b>						
As at 1 January 2015	5,312,232	106,693	1,585,909	359,679	57,882	7,422,395
Additions	4,214	3,066	35,107	17,182	10,678	70,247
Transfer in from CIP	119,763	-	70,225	34,027	-	224,015
Disposals	(14,622)	(5,874)	(73,970)	(19,974)	(1,986)	(116,426)
As at 31 December 2015	5,421,587	103,885	1,617,271	390,914	66,574	7,600,231
<b>Accumulated depreciation</b>						
As at 1 January 2015	(1,418,433)	(70,241)	(828,734)	(172,053)	(33,500)	(2,522,961)
Charge for the year	(276,963)	(12,931)	(245,124)	(47,239)	(8,281)	(590,538)
Disposals	8,151	5,619	69,643	14,035	1,365	98,813
As at 31 December 2015	(1,687,245)	(77,553)	(1,004,215)	(205,257)	(40,416)	(3,014,686)
<b>Net book value</b>						
As at 1 January 2015	3,893,799	36,452	757,175	187,626	24,382	4,899,434
As at 31 December 2015	3,734,342	26,332	613,056	185,657	26,158	4,585,545

Item	Group					Total
	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	
<b>Cost</b>						
As at 1 January 2014	3,691,796	105,757	1,302,253	296,991	50,624	5,447,421
Additions	418,347	4,067	73,558	58,741	7,675	562,388
Transfer in from CIP	1,236,849	-	217,920	8,559	-	1,463,328
Disposals	(34,760)	(3,131)	(7,822)	(4,612)	(417)	(50,742)
As at 31 December 2014	5,312,232	106,693	1,585,909	359,679	57,882	7,422,395
<b>Accumulated depreciation</b>						
As at 1 January 2014	(1,172,226)	(58,949)	(612,452)	(131,147)	(25,882)	(2,000,656)
Charge for the year	(272,721)	(14,359)	(223,403)	(45,026)	(7,948)	(563,457)
Disposals	26,514	3,067	7,121	4,120	330	41,152
As at 31 December 2014	(1,418,433)	(70,241)	(828,734)	(172,053)	(33,500)	(2,522,961)
<b>Net book value</b>						
As at 1 January 2014	2,519,570	46,808	689,801	165,844	24,742	3,446,765
As at 31 December 2014	3,893,799	36,452	757,175	187,626	24,382	4,899,434

Item	Group					Total
	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	
<b>Cost</b>						
As at 1 January 2015	5,215,224	80,218	1,556,070	335,338	45,591	7,232,441
Additions	280	2,733	28,821	14,705	8,756	55,295
Transfer in from CIP	119,763	-	70,186	33,301	-	223,250
Disposals	(14,622)	(5,874)	(73,968)	(19,745)	(1,980)	(116,189)
As at 31 December 2015	5,320,645	77,077	1,581,109	363,599	52,367	7,394,797
<b>Accumulated depreciation</b>						
As at 1 January 2015	(1,402,731)	(59,021)	(819,955)	(164,177)	(29,367)	(2,475,251)
Charge for the year	(269,765)	(7,852)	(238,081)	(42,491)	(5,736)	(563,925)
Disposals	8,151	5,619	69,643	14,031	1,366	98,810
As at 31 December 2015	(1,664,345)	(61,254)	(988,393)	(192,637)	(33,737)	(2,940,366)
<b>Net book value</b>						
As at 1 January 2015	3,812,493	21,197	736,115	171,161	16,224	4,757,190
As at 31 December 2015	3,656,300	15,823	592,716	170,962	18,630	4,454,431

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

*(2) Construction in progress*

Item	Group			Total
	Building	Electronic And Machinery	Others	
As at 1 January 2015	1,263,603	210,620	313,762	1,787,985
Additions	411,695	147,391	86,727	645,813
Transfer to fixed assets	(119,763)	(104,252)	-	(224,015)
Transfer to other assets	(12,219)	-	(107,578)	(119,797)
As at 31 December 2015	1,543,316	253,759	292,911	2,089,986

Group				
Item	Building	Electronic And Machinery	Others	Total
As at 1 January 2014	1,835,271	405,172	233,189	2,473,632
Additions	680,635	31,927	392,808	1,105,370
Transfer to fixed assets	(1,236,849)	(226,479)	-	(1,463,328)
Transfer to other assets	(15,454)	-	(312,235)	(327,689)
As at 31 December 2014	1,263,603	210,620	313,762	1,787,985

Bank				
Item	Building	Electronic And Machinery	Others	Total
As at 1 January 2015	1,263,566	210,581	313,753	1,787,900
Additions	396,656	146,501	86,727	629,884
Transfer to fixed assets	(119,763)	(103,487)	-	(223,250)
Transfer to other assets	-	-	(107,569)	(107,569)
As at 31 December 2015	1,540,459	253,595	292,911	2,086,965

Bank				
Item	Building	Electronic And Machinery	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

## 14. 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 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Allowances for impairment losses	7,353,469	6,783,589	1,829,112	1,692,073
Share of net losses of investees under equity method	252,113	350,147	63,028	87,537
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	-	5,395	-	1,349
Others	742,030	418,750	185,370	104,688
<b>Total</b>	<b>8,347,612</b>	<b>7,557,881</b>	<b>2,077,510</b>	<b>1,885,647</b>

Item	Group			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	(186,382)	-	(46,596)	-
Changes in fair value of available-for-sale financial assets	(1,042,858)	(657,947)	(260,714)	(164,487)
<b>Total</b>	<b>(1,229,240)</b>	<b>(657,947)</b>	<b>(307,310)</b>	<b>(164,487)</b>

Item	Bank			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Allowances for impairment losses	6,737,970	6,450,662	1,684,493	1,612,665
Share of net losses of investees under equity method	252,113	350,147	63,028	87,537
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	-	5,395	-	1,349
Others	735,005	418,668	183,751	104,667
<b>Total</b>	<b>7,725,088</b>	<b>7,224,872</b>	<b>1,931,272</b>	<b>1,806,218</b>

Item	Bank			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	(186,382)	-	(46,596)	-
Changes in fair value of available-for-sale financial assets	(1,042,858)	(657,947)	(260,714)	(164,487)
<b>Total</b>	<b>(1,229,240)</b>	<b>(657,947)</b>	<b>(307,310)</b>	<b>(164,487)</b>

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

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Deferred tax assets	1,770,200	1,721,160	1,623,962	1,641,731
Deferred tax liabilities	-	-	-	-
<b>Total</b>	<b>1,770,200</b>	<b>1,721,160</b>	<b>1,623,962</b>	<b>1,641,731</b>

## 15. Other assets

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Other receivables and prepayments	226,590	218,568	191,245	198,056
Foreclosed assets	149,967	137,461	149,967	137,461
Long-term prepaid expenses	229,838	220,549	147,972	143,688
Intangible assets	849,927	844,534	849,669	844,366
<b>Total</b>	<b>1,456,322</b>	<b>1,421,112</b>	<b>1,338,853</b>	<b>1,323,571</b>

## (1) Other receivables and prepayments

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Intra-city bills under collection	78,123	37,148	68,123	37,120
Prepaid legal expenses	36,081	34,355	30,520	32,801
Rental deposits	9,281	8,754	8,801	8,672
Other receivables <sup>(Note)</sup>	103,105	138,311	83,801	119,463
<b>Total</b>	<b>226,590</b>	<b>218,568</b>	<b>191,245</b>	<b>198,056</b>

Note: Other receivables

Account age	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
With in 1 year	74,974	106,991	55,670	88,143
1 to 2 years	1,180	410	1,180	410
2 to 3 years	366	36,931	366	36,931
Above 3 years	33,272	666	33,272	666
<b>Total</b>	<b>109,792</b>	<b>144,998</b>	<b>90,488</b>	<b>126,150</b>
Less: provision	(6,687)	(6,687)	(6,687)	(6,687)
<b>Net book value</b>	<b>103,105</b>	<b>138,311</b>	<b>83,801</b>	<b>119,463</b>

## (2) Foreclosed assets

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Land use rights	136,738	136,738
Buildings	12,150	-
Machinery	356	-
Others	25,730	25,730
<b>Total</b>	<b>174,974</b>	<b>162,468</b>
Less: impairment allowance	(25,007)	(25,007)
<b>Net book value</b>	<b>149,967</b>	<b>137,461</b>

## (3) Long-term prepaid expenses

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Leasehold improvement	196,139	204,186	125,883	132,622
Network architecture expenses	5,688	9,514	5,338	9,057
Prepaid rental expenses	21,897	4,052	13,848	1,195
Others	6,114	2,797	2,903	814
<b>Total</b>	<b>229,838</b>	<b>220,549</b>	<b>147,972</b>	<b>143,688</b>



## (4) Intangible assets

Item	Group			Bank		
	Land use right	Software	Total	Land use right	Software	Total
<b>Cost</b>						
As at 1 January 2015	524,613	498,443	1,023,056	524,613	498,194	1,022,807
Additions	-	81,345	81,345	-	81,193	81,193
Disposals	(899)	(2,995)	(3,894)	(899)	(2,995)	(3,894)
As at 31 December 2015	523,714	576,793	1,100,507	523,714	576,392	1,100,106
<b>Accumulated amortisation</b>						
As at 1 January 2015	(33,182)	(145,340)	(178,522)	(33,182)	(145,259)	(178,441)
Charge of the year	(12,996)	(59,727)	(72,723)	(12,996)	(59,665)	(72,661)
Disposals	70	595	665	70	595	665
As at 31 December 2015	(46,108)	(204,472)	(250,580)	(46,108)	(204,329)	(250,437)
<b>Net book value</b>						
As at 1 January 2015	491,431	353,103	844,534	491,431	352,935	844,366
As at 31 December 2015	477,606	372,321	849,927	477,606	372,063	849,669

Item	Group			Bank		
	Land use right	Software	Total	Land use right	Software	Total
<b>Cost</b>						
As at 1 January 2014	524,613	255,197	779,810	524,613	254,948	779,561
Additions	-	245,926	245,926	-	245,926	245,926
Disposals	-	(2,680)	(2,680)	-	(2,680)	(2,680)
As at 31 December 2014	524,613	498,443	1,023,056	524,613	498,194	1,022,807
<b>Accumulated amortisation</b>						
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)
<b>Net book value</b>						
As at 1 January 2014	504,428	162,174	666,602	504,428	161,959	666,387
As at 31 December 2014	491,431	353,103	844,534	491,431	352,935	844,366

## 16. 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	7,034,046	1,776,265	(69,009)	(512,678)	61,671	8,290,295
Available-for-sale financial assets	1,400,342	-	(426,495)	-	-	973,847
Investments classified as loans and receivables	36,304	6,997	-	-	-	43,301
Long-term equity investments	103,611	-	-	-	-	103,611
Other receivables	6,687	-	-	-	-	6,687
Foreclosed assets	25,007	-	-	-	-	25,007
<b>Total</b>	<b>8,605,997</b>	<b>1,783,262</b>	<b>(495,504)</b>	<b>(512,678)</b>	<b>61,671</b>	<b>9,442,748</b>

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	5,948,076	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
<b>Total</b>	<b>7,508,843</b>	<b>1,938,580</b>	<b>(121,857)</b>	<b>(742,953)</b>	<b>23,384</b>	<b>8,605,997</b>

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	6,564,072	1,480,946	(69,009)	(507,053)	61,671	7,530,627
Available-for-sale financial assets	1,400,342	-	(426,495)	-	-	973,847
Investments classified as loans and receivables	36,304	6,997	-	-	-	43,301
Long-term equity investments	103,611	-	-	-	-	103,611
Other receivables	6,687	-	-	-	-	6,687
Foreclosed assets	25,007	-	-	-	-	25,007
<b>Total</b>	<b>8,136,023</b>	<b>1,487,943</b>	<b>(495,504)</b>	<b>(507,053)</b>	<b>61,671</b>	<b>8,683,080</b>

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	5,690,966	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
<b>Total</b>	<b>7,251,733</b>	<b>1,725,431</b>	<b>(121,572)</b>	<b>(742,953)</b>	<b>23,384</b>	<b>8,136,023</b>

## 17. Due to banks and other financial institutions

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Deposits from domestic banks	22,135,627	3,366,504	27,561,602	9,209,531
Deposits from other financial institutions	26,558,303	5,779,459	26,558,303	5,179,458
<b>Total</b>	<b>48,693,930</b>	<b>9,145,963</b>	<b>54,119,905</b>	<b>14,388,989</b>

## 18. Placements from banks and other financial institutions

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Placements from domestic banks	960,111	1,420,602
Placements from overseas banks	422,585	482,266
<b>Total</b>	<b>1,382,696</b>	<b>1,902,868</b>

## 19. Assets sold under repurchase agreement

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Securities	21,694,400	18,285,770
Bills	209,170	283,763
<b>Total</b>	<b>21,903,570</b>	<b>18,569,533</b>

## 20. Due to customers

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
<b>Demand deposits</b>				
Corporate	156,362,705	132,977,654	143,646,030	122,522,270
Individual	35,980,141	28,172,688	33,211,018	25,606,663
<b>Time deposits</b>				
Corporate	65,195,655	63,198,461	61,789,335	59,533,719
Individual	168,260,002	159,572,049	163,037,027	156,248,190
Pledged deposits held as collateral	7,316,184	4,825,596	6,946,592	4,384,583
Other deposits	17,253,642	6,931,697	17,245,153	6,829,194
<b>Total</b>	<b>450,368,329</b>	<b>395,678,145</b>	<b>425,875,155</b>	<b>375,124,619</b>

## 21. 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	1,269,567	2,369,929	(2,068,241)	1,571,255
Social security contributions	10,494	546,245	(548,028)	8,711
Employee welfare	35	96,808	(96,843)	-
Housing funds	14	165,501	(165,455)	60
Labour union fee and staff education expenses	49	64,044	(64,071)	22
Defined benefit plan	355,584	16,679	(21,229)	351,034
<b>Total</b>	<b>1,635,743</b>	<b>3,259,206</b>	<b>(2,963,867)</b>	<b>1,931,082</b>

Item	Group			
	Prior Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	889,747	2,171,393	(1,791,573)	1,269,567
Social security contributions	9,319	529,226	(528,051)	10,494
Employee welfare	-	267,714	(267,679)	35
Housing funds	64	147,202	(147,252)	14
Labour union fee and staff education expenses	100	68,269	(68,320)	49
Defined benefit plan	361,350	12,720	(18,486)	355,584
<b>Total</b>	<b>1,260,580</b>	<b>3,196,524</b>	<b>(2,821,361)</b>	<b>1,635,743</b>

Item	Bank			
	Current Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	1,251,864	2,233,363	(1,932,949)	1,552,278
Social security contributions	10,417	527,887	(529,896)	8,408
Employee welfare	-	79,602	(79,602)	-
Housing funds	2	155,386	(155,388)	-
Labour union fee and staff education expenses	-	60,459	(60,459)	-
Defined benefit plan	355,584	16,679	(21,229)	351,034
<b>Total</b>	<b>1,617,867</b>	<b>3,073,376</b>	<b>(2,779,523)</b>	<b>1,911,720</b>

Item	Bank			
	Prior Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	878,483	2,043,882	(1,670,501)	1,251,864
Social security contributions	9,213	521,371	(520,167)	10,417
Employee welfare	-	246,001	(246,001)	-
Housing funds	-	139,128	(139,126)	2
Labour union fee and staff education expenses	100	65,087	(65,187)	-
Defined benefit plan	361,350	12,720	(18,486)	355,584
<b>Total</b>	<b>1,249,146</b>	<b>3,028,189</b>	<b>(2,659,468)</b>	<b>1,617,867</b>

## 22. Taxes payable

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Income tax	715,432	752,443	653,380	699,313
Business tax and surcharges	247,623	236,160	238,499	226,366
Others	38,848	43,890	37,142	40,035
<b>Total</b>	<b>1,001,903</b>	<b>1,032,493</b>	<b>929,021</b>	<b>965,714</b>

## 23. Interest payables

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Due to customers, banks and other financial institutions	9,769,099	8,281,488	9,571,278	8,179,380
Debt securities issued	-	10,849	-	10,849
Others	2,470	1,492	2,470	1,492
<b>Total</b>	<b>9,771,569</b>	<b>8,293,829</b>	<b>9,573,748</b>	<b>8,191,721</b>

## 24. Debt securities issued

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Financial debt <sup>(Note 1)</sup>	-	5,000,000
Interbank negotiable certificates of deposit <sup>(Note 2)</sup>	3,968,322	2,955,158
<b>Total</b>	<b>3,968,322</b>	<b>7,955,158</b>

Note 1: 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%. The maturity date is 14 December 2015.

Note 2: Interbank negotiable certificates of deposit issued by the Bank through China Foreign Exchange Trade System, of which measured at amortised cost. The coupon rate is from 3.00% to 6.00%.

## 25. Other liabilities

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Funds under settlement process	830,778	521,115	812,175	456,479
Education funds	51,418	51,418	51,418	51,418
Construction expenses	22,510	18,955	13,262	18,891
Others	283,791	167,776	281,347	142,118
<b>Total</b>	<b>1,188,497</b>	<b>759,264</b>	<b>1,158,202</b>	<b>668,906</b>

## 26. Share capital

	As at 31 December 2015	As at 31 December 2014
Number of shares issued (in thousands)	5,000,000	5,000,000
Share capital (in thousands of RMB)	5,000,000	5,000,000

## 27. Capital reserve

Item	Group and Bank			
	Current Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Capital surplus	8,110,992	-	-	8,110,992
Others	66	-	-	66
<b>Total</b>	<b>8,111,058</b>	<b>-</b>	<b>-</b>	<b>8,111,058</b>

Item	Group and Bank			
	Prior Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Capital surplus	8,110,992	-	-	8,110,992
Others	66	-	-	66
<b>Total</b>	<b>8,111,058</b>	<b>-</b>	<b>-</b>	<b>8,111,058</b>

## 28. Other comprehensive income

### (1) Items in other comprehensive income

Item	Group and Bank					
	Year ended 31 December 2015			Year ended 31 December 2014		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
1. Other comprehensive income items which will not be reclassified to profit and loss						
Changes in remeasurement of defined benefit pension plans	(6,692)	1,673	(5,019)	-	-	-
2. Other comprehensive income items which will be reclassified subsequently to profit or loss						
Changes in fair value of available-for-sale financial assets	384,911	(96,227)	288,684	1,155,090	(288,773)	866,317
<b>Total</b>	<b>378,219</b>	<b>(94,554)</b>	<b>283,665</b>	<b>1,155,090</b>	<b>(288,773)</b>	<b>866,317</b>

### (2) Movement of other comprehensive income

Item	Group and Bank			
	Current Year			
	Opening balance	Increase/ (decrease) during the year	Transfer out	Closing balance
Changes in remeasurement of defined benefit pension plans	-	(5,019)	-	(5,019)
Changes in fair value of available-for-sale financial assets	493,460	288,684	-	782,144
<b>Total</b>	<b>493,460</b>	<b>283,665</b>	<b>-</b>	<b>777,125</b>

Item	Group and Bank			
	Prior Year			
	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

## 29. Surplus reserve

Item	Group			
	Current Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory reserve	2,233,003	491,822	-	2,724,825
Discretionary reserve	5,197,040	1,019,746	-	6,216,786
<b>Total</b>	<b>7,430,043</b>	<b>1,511,568</b>	<b>-</b>	<b>8,941,611</b>



Item	Group			
	Prior Year			
	Opening balance	Increase during the year	Decease during the year	Closing balance
Statutory reserve	1,807,397	425,606	-	2,233,003
Discretionary reserve	4,336,697	860,343	-	5,197,040
<b>Total</b>	<b>6,144,094</b>	<b>1,285,949</b>	<b>-</b>	<b>7,430,043</b>

Item	Bank			
	Current Year			
	Opening balance	Increase during the year	Decease during the year	Closing balance
Statutory reserve	2,210,899	470,454	-	2,681,353
Discretionary reserve	5,193,975	1,014,769	-	6,208,744
<b>Total</b>	<b>7,404,874</b>	<b>1,485,223</b>	<b>-</b>	<b>8,890,097</b>

Item	Bank			
	Current Year			
	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
<b>Total</b>	<b>6,136,030</b>	<b>1,268,844</b>	<b>-</b>	<b>7,404,874</b>

In accordance with the Company Law and the Company's Articles of Association, the Bank should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Bank can cease appropriation when the statutory reserve accumulated to more than 50% of the registered capital. The statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Bank appropriated 10% of net profit of 2014, amounting to RMB470,454 thousand for the year 2015 (2014: RMB411,566 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 28 April 2015, the Bank appropriated RMB1,014,769 thousand as discretionary reserve (2014: RMB857,278 thousand).

### 30. General Reserve

Item	Group			
	Current Year			
	Opening balance	Increase during the year	Decease during the year	Closing balance
General Reserve	4,001,040	1,183,129	-	5,184,169

Item	Group			
	Prior year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
General Reserve	3,584,116	416,924	-	4,001,040

Item	Bank			
	Current Year			
	Opening balance	Increase during the year	Decrease during the year	Closing balance
General Reserve	3,968,461	1,101,894	-	5,070,355

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

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 2015 and 2014, the amount transfer to general reserve was proposed by the Board of Directors and approved by the General Meetings of Shareholders.

### 31. Retained earnings

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Opening balance	11,847,190	9,401,839	11,720,039	9,374,775
Add: Net profit attributable to the Bank's shareholders	5,633,520	4,848,224	5,466,082	4,704,536
Less: Appropriation to statutory reserve	491,822	425,606	470,454	411,566
Appropriation to discretionary reserve	1,019,746	860,343	1,014,769	857,278
Appropriation to general reserve	1,183,129	416,924	1,101,894	390,428
Dividends paid	900,000	700,000	900,000	700,000
Closing balance	13,886,013	11,847,190	13,699,004	11,720,039

In accordance with the resolution at the general meeting of shareholders dated on 28 April 2015, the Bank declares a cash dividend in the amount of RMB 900,000 thousand (2014: RMB700,000 thousand).

In accordance with the resolution at the Board of Directors' meeting dated on 30 March 2016, the directors proposed the following appropriations to the Bank's net profit of 2015.

In accordance with the 2015 annual after-tax profit legal statements, the Bank made statutory reserve of RMB546,608 thousand, made discretionary reserve of RMB1,186,616 thousand and made general reserve of RMB1,286,228 thousand. The Bank distributed 20% of cash dividend of RMB1,000,000 thousand (included tax) from equity for the common stock. The plan is subject to a final review by the annual general meeting.

## 32. Net interest income

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
<b>Interest income</b>				
- Due from banks and other financial institutions	408,855	380,957	319,080	320,967
- Deposits with central bank	1,091,540	1,094,254	1,053,792	1,055,831
- Placement with other banks and financial assets purchased under resale agreement	1,520,226	1,685,411	1,520,226	1,685,411
- Loans and advances to customers				
of which: corporate loans and advances	11,060,340	11,035,990	10,421,707	10,442,420
individual loans	2,299,726	1,808,100	1,819,027	1,410,372
discount bills	3,647,586	3,302,320	3,647,126	3,301,740
- Investment securities	3,835,464	3,169,133	3,835,464	3,168,604
- Others	468	3,241	468	3,241
<b>Sub-total</b>	23,864,205	22,479,406	22,616,890	21,388,586
<b>Interest expense</b>				
- Borrowings from central bank	(76,460)	(55,427)	(40,383)	(9,278)
- Due to banks and other financial institutions	(1,166,774)	(506,566)	(1,328,709)	(734,652)
- Placements from banks and other financial institutions and assets sold under repurchase agreement	(716,156)	(835,941)	(716,156)	(835,941)
- Due to customers	(9,466,120)	(8,472,678)	(9,146,487)	(8,228,622)
- Debt securities issued	(600,024)	(297,782)	(600,024)	(297,782)
- Others	(153,692)	(39,145)	(153,692)	(39,145)
<b>Sub-total</b>	(12,179,226)	(10,207,539)	(11,985,451)	(10,145,420)
<b>Net interest income</b>	11,684,979	12,271,867	10,631,439	11,243,166

## 33. Net fee and commission income

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
<b>Fee and commission income</b>				
Agency services	700,821	435,152	697,591	433,378
Electronic banking services	213,229	293,616	212,988	293,452
Bank card services	195,567	108,361	195,376	108,161
Settlement and clearing services	189,547	168,665	189,101	168,137
Consultancy and advisory services	180,500	146,604	180,435	146,565
Guarantee and commitment services	19,189	10,151	19,188	10,151
Wealth management services	3,702	2,040	3,702	2,040
Others	32,437	11,122	137,822	99,019
<b>Sub-total</b>	1,534,992	1,175,711	1,636,203	1,260,903
<b>Fee and commission expense</b>				
Fund collecting commissioning service charges	(60,248)	(60,175)	(60,191)	(60,167)
Settlement and clearing services	(56,284)	(48,376)	(51,044)	(44,783)
Others	(19,176)	(13,112)	(16,843)	(12,515)
<b>Sub-total</b>	(135,708)	(121,663)	(128,078)	(117,465)
<b>Net fee and commission income</b>	1,399,284	1,054,048	1,508,125	1,143,438

### 34. Investment income

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Financial asset at fair value through profit or loss and derivative instruments	(47,961)	(14,248)	(47,961)	(14,248)
Available-for-sale financial assets	1,811,898	619,921	1,791,431	607,305
Investments classified as loans and receivables	233,918	114,152	233,918	114,152
Long-term equity investments- investments in associates	71,289	7,562	71,289	7,562
Precious metals	(16,419)	8,448	(16,419)	8,448
Dividend income	3,212	3,900	10,862	26,850
<b>Total</b>	<b>2,055,937</b>	<b>739,735</b>	<b>2,043,120</b>	<b>750,069</b>

### 35. Business tax and levies

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Business tax	859,214	742,473	825,179	712,237
Urban construction tax	42,948	33,389	41,259	31,702
Education surcharge	41,133	37,158	39,241	35,650
Others	8,406	7,200	8,288	7,075
<b>Total</b>	<b>951,701</b>	<b>820,220</b>	<b>913,967</b>	<b>786,664</b>

### 36. General and administrative expenses

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Staff costs	3,254,187	3,196,524	3,068,357	3,028,189
Office and administrative expense	1,237,485	1,310,093	1,108,056	1,178,832
Depreciation of property and equipment	590,538	563,457	563,925	539,353
Rental expenses	207,001	189,663	176,994	163,982
Amortisation of intangible assets	72,723	67,994	72,661	67,947
Amortisation of long-term prepaid expenses	68,781	66,562	47,467	48,400
<b>Total</b>	<b>5,430,715</b>	<b>5,394,293</b>	<b>5,037,460</b>	<b>5,026,703</b>

### 37. Impairment losses on assets

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Loans and advances to customers	1,776,265	1,902,276	1,480,946	1,689,127
Investments classified as loans and receivables	6,997	36,304	6,997	36,304
<b>Total</b>	<b>1,783,262</b>	<b>1,938,580</b>	<b>1,487,943</b>	<b>1,725,431</b>

## 38. Non-operating income

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Proceeds from security companies	11,546	62,665	11,546	62,665
- Minfa Security Co., Ltd.	-	31,504	-	31,504
- Wuhan Security Co., Ltd.	-	17,903	-	17,903
- Nanfang Security Co., Ltd.	6,629	13,258	6,629	13,258
- Xinhua Security Co., Ltd.	4,917	-	4,917	-
Gain on recovery of non-performing assets transferred to Shanghai Municipal Government <sup>(Note)</sup>	10,523	16,928	10,523	16,928
Gains on disposal and physical inspection of fixed assets	29,740	7,795	29,740	7,795
Gains on disposal of long-term unclaimed deposits	1,709	3,327	1,709	3,327
Gains on disposal of foreclosed assets	-	2,159	-	2,159
Government grants	212,016	101,411	17,211	26,966
Others	17,503	27,069	70,729	119,840
<b>Total</b>	<b>283,037</b>	<b>221,354</b>	<b>119,840</b>	<b>93,793</b>

Note: 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 RMB10,523 thousand for the year ended 31 December 2015 (Year ended 31 December 2014: RMB16,928 thousand).

## 39. Non-operating expense

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Donations	8,989	12,707	8,496	12,035
Losses on disposal of fixed assets	2,999	1,138	2,996	929
Others	140,848	18,594	140,649	18,448
<b>Total</b>	<b>152,836</b>	<b>32,439</b>	<b>152,141</b>	<b>31,412</b>

## 40. Income tax expense

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Current income tax	1,563,580	1,524,904	1,396,362	1,380,678
Deferred income tax	(145,267)	(371,023)	(78,458)	(333,131)
<b>Total</b>	<b>1,418,313</b>	<b>1,153,881</b>	<b>1,317,904</b>	<b>1,047,547</b>

Reconciliation between income tax expenses and accounting profit:

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Profit before tax	7,225,753	6,166,876	6,783,986	5,752,083
Tax calculated at applicable tax rate	1,797,573	1,544,519	1,695,996	1,438,021
Tax effect arising from income not subject to tax	(431,805)	(385,449)	(428,371)	(385,120)
Tax effect of expenses not deductible for tax purposes	8,815	17,575	7,432	13,970
Differences arising from tax filing	43,730	(22,764)	42,847	(19,324)
Income tax expense	1,418,313	1,153,881	1,317,904	1,047,547

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

##### (1) Supplementary information to the cash flow statement

Item	Group		Bank	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
<b>I. Reconciliation of net profit to cash flows from operating activities:</b>				
Net profit	5,807,440	5,012,995	5,466,082	4,704,536
Adjustment: Impairment loss	1,783,262	1,938,580	1,487,943	1,725,431
Depreciation of fixed assets	590,538	563,457	563,925	539,353
Amortisation of intangible asset	72,723	67,994	72,661	67,947
Amortisation of long-term prepaid expenses	68,781	66,562	47,467	48,400
Losses on disposal of fixed assets and foreclosed assets	(26,741)	(6,657)	(26,744)	(6,866)
Gain/(losses) on changes in fair value	(191,778)	991	(191,778)	991
Interest income for investment securities	(3,835,464)	(3,169,133)	(3,835,464)	(3,168,604)
Investment loss	(2,055,937)	(739,735)	(2,043,120)	(750,069)
Interest expenses for debt securities issued	600,024	297,782	600,024	297,782
Decrease of deferred income tax assets	(145,312)	(371,023)	(78,458)	(333,131)
Decrease on operating receivable	(44,874,028)	(45,694,232)	(42,387,542)	(42,669,640)
Increase on operating payable	100,500,089	57,790,703	97,634,650	53,780,214
Net cash provided from operating activities	58,293,597	15,758,284	57,309,646	14,236,344
<b>II. Net increase in cash and cash equivalents</b>				
Cash and cash equivalents at end of year	14,792,585	16,528,698	10,403,531	12,536,098
Less: cash and cash equivalents at beginning of year	16,528,698	21,286,541	12,536,098	18,689,306
Net decrease in cash and cash equivalents	(1,736,113)	(4,757,843)	(2,132,567)	(6,153,208)

##### (2) Cash and cash equivalents

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Cash	2,645,578	2,512,730	2,548,874	2,418,710
Balances with central bank	7,248,245	6,842,751	5,506,449	6,051,056
Due from banks and other financial institutions	4,898,762	7,173,217	2,348,208	4,066,332
<b>Total</b>	<b>14,792,585</b>	<b>16,528,698</b>	<b>10,403,531</b>	<b>12,536,098</b>



## 42. 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 2015	As at 31 December 2014
Investment securities	22,039,489	18,427,666
Bills	209,170	283,763
<b>Total</b>	<b>22,248,659</b>	<b>18,711,429</b>

### (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 RMB740,721 thousand as at 31 December 2015 (Group and Bank as at 31 December 2014: RMB428,143 thousand). The Group and the Bank has not resold or re-pledged any collateral accepted as at 31 December 2015 (Group and Bank as at 31 December 2014: Nil).

## 43. Transfers of financial assets

### (1) Asset-backed securities

The Bank carries out asset-backed securities transactions in the normal course of business. The Bank will sell part of credit assets to a special purpose trust, then the special purpose trust will issue asset-backed securities to investors.

The book value of credit assets which have been securitized by the Bank in 2015 amounted to RMB 1,581,500 thousands on the transfer day. As of December 31, 2015, the book value of the asset-backed securities held by the Bank is RMB 79,461 thousands.

In the above procedure of transferring financial assets, because the issue price is same as the carrying amount of the transferred financial assets' book value, the Bank does not recognize profit or loss in these financial assets transferred process, the Bank will charge a service fee as a loan provider during the follow-up. Although the Bank establishes the special purpose trust as cosponsors, only 5% of the stall asset-backed securities issue size is held by it respectively, which means its holding size is only 5% of the total issue size by each time, and therefore the Bank does not have authority to obtain most benefits of a special purpose trust, but also does not bear most risk of a special purpose trust, hence the Bank won't merge these special purpose trusts, which means special purpose trust that is not an integral part of the Group's.

The Bank transfers related financial assets, and transferred substantially all the risks (including part credit risk of the transferred credit assets, prepayment risk and interest rate risk) and rewards to other investors, therefore related financial assets are derecognized.

The Bank loses the right to use of the related credit assets during the transferring of asset-backed securities transactions to credit assets. Once the special purpose trust is established, the Bank should distinguish it from other property that the Bank has not established trust. According to the relevant transaction documents, when the Bank dismisses in accordance with law, be liquidated in accordance with law or declared bankrupt, the trust property will be liquidated as liquidated property.

### (2) Financial assets sold under repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Group does not have the ability to use during the term of the arrangements, are not derecognised from the financial statements but regarded as "collateral" for the secured lending from these because the Group retains substantially all the risks and rewards of these securities. In addition, it recognises a financial liability for cash received. For all these arrangements, the counterparties have recourse not only to the transferred financial assets.

As at 31 December 2015 and 2014, 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 VIII. 19).

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 2015				As at 31 December 2014			
	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	3,798,601	22,305,084	209,170	26,312,855	4,976,192	13,451,474	283,763	18,711,429
Carrying amount of associated liabilities	3,673,800	18,020,600	209,170	21,903,570	5,104,452	13,181,318	283,763	18,569,533

#### 44. 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 2015, the wealth management products managed and consolidated by the Group amounted to RMB13,842,494 thousand (As at 31 December 2014: RMB8,929,651 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 2015:

Item	Group and Bank			
	As at 31 December 2015			
	Size	Interests	Maximum exposure to loss	Type of income
Trusts and asset management products	18,153,457	18,153,457	18,153,457	Investment income
Wealth management products	83,080,294	37,819,070	37,819,070	Commission income and investment income
<b>Total</b>	<b>101,233,751</b>	<b>55,972,527</b>	<b>55,972,527</b>	

Item	Group and Bank			
	As at 31 December 2014			
	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	43,019,165	14,005,677	14,005,677	Commission income and investment income
<b>Total</b>	<b>56,166,245</b>	<b>27,152,757</b>	<b>27,152,757</b>	

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:

Item	GroupBank			
	As at 31 December 2015		As at 31 December 2014	
	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	8,552,671	9,600,786	3,467,028	9,680,052
Wealth management products	37,819,070	-	14,005,677	-
<b>Total</b>	<b>46,371,741</b>	<b>9,600,786</b>	<b>17,472,705</b>	<b>9,680,052</b>

## VIII. 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 VII for the subsidiary information and Note VIII.12 for the associate information.

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

Shareholders who hold more than 5% equity shares of the Bank in 2015:

Name of entity	Main business	Percentage of total shares (%)
ANZ Banking (Group) Co., Ltd.	Banking	20.00
Shanghai State-owned Assets management Co., Ltd.	Capital management and industrial investment	10.00
China Pacific Life Insurance Co., Ltd.	Insurance and capital investment	7.00
Shanghai International (Group) Co., Ltd.	Investment	6.02
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 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Subsidiaries	-	-	-	-
Other related parties	13,715	45,427	13,715	45,427
<b>Total</b>	<b>13,715</b>	<b>45,427</b>	<b>13,715</b>	<b>45,427</b>

*(2) Interest expense*

Type of related party	Bank	
	Year ended 31 December 2015	Year ended 31 December 2014
Subsidiaries	172,130	281,839
<b>Total</b>	<b>172,130</b>	<b>281,839</b>

*(3) Fee and commission income*

Type of related party	Bank	
	Year ended 31 December 2015	Year ended 31 December 2014
Subsidiaries	105,503	88,145
<b>Total</b>	<b>105,503</b>	<b>88,145</b>

*(4) Key management personnel cost*

Item	Group and Bank	
	Year ended 31 December 2015	Year ended 31 December 2014
Salary and bonus	3,972	17,358
<b>Total</b>	<b>3,972</b>	<b>17,358</b>

**3. Major balances with related parties***(1) Placements with financial institutions*

Type of related party	Bank	
	As at 31 December 2015	As at 31 December 2014
Other related parties	590,000	-
<b>Total</b>	<b>590,000</b>	<b>-</b>

*(2) Loans and advances to customers*

Type of related party	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Other related parties	124,432	142,147
<b>Total</b>	<b>124,432</b>	<b>142,147</b>

*(3) Due to banks and other financial institutions*

Type of related party	Bank	
	As at 31 December 2015	As at 31 December 2014
Subsidiaries	5,489,588	5,873,944
<b>Total</b>	<b>5,489,588</b>	<b>5,873,944</b>

## X. CONTINGENT LIABILITIES

### 1. Legal proceedings

There was no significant legal proceeding outstanding against the Group as at 31 December 2015 (As at in 31 December 2014: Nil).

## XI. COMMITMENTS

### 1. Credit-related commitments

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Credit-related commitments	13,545,074	12,555,162
Acceptances	7,772,282	5,716,508
Letters of guarantee	3,318,761	1,817,922
Letters of credit	1,302,031	1,261,790
<b>Total</b>	<b>25,938,148</b>	<b>21,351,382</b>

### 2. Capital commitments

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Authorised but not contracted for	208,044	217,001	208,044	217,001
Contracted but not provided for	407,720	454,781	407,720	453,632
<b>Total</b>	<b>615,764</b>	<b>671,782</b>	<b>615,764</b>	<b>670,633</b>

### 3. Operating lease commitments

Where the Group and the Bank is the lessee, the future minimum lease payments on buildings and equipment under non-cancellable operating leases are as follows:

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Within 1 year	190,351	274,885	160,576	246,223
Beyond 1 year and not more than 5 years	596,162	543,758	509,529	451,975
More than 5 years	251,605	280,678	207,928	223,837
<b>Total</b>	<b>1,038,118</b>	<b>1,099,321</b>	<b>878,033</b>	<b>922,035</b>

### 4. Commitments on security underwriting and bond acceptance

The Bank is entrusted by the MOF to underwrite certain certificate treasury bonds. The investors of certificate treasury bonds have a right to redeem the bonds at par any time prior to maturity and the Bank is committed to redeem those bonds. The redemption price is the principal value of the certificate treasury bonds plus unpaid interest.

The Bank's redemption commitments, representing the principal value of the bonds underwritten and sold by the Bank, amounted to RMB2,831,452 thousand as at 31 December 2015 (as at 31 December 2014: RMB2,285,006 thousand).

## XII. FIDUCIARY ACTIVITIES

Item	Group and Bank	
	As at 31 December 2015	As at 31 December 2014
Entrusted loans	96,972,544	66,098,326
Entrusted wealth management products	45,261,224	29,013,488

## XIII. SUBSEQUENT EVENTS

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation jointly issued the "Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax" (Caishui[2016]No. 36), which requires the further rollout of the Value-Added Tax (VAT) reform to sectors such as construction, real estate, financial services and lifestyle services and takes effect from 1 May 2016. VAT will replace business tax to cover these sectors that used to fall under the business tax regime. From 1 May 2016 onwards, the Bank will pay VAT instead of business tax.

## XIV. OTHER SIGNIFICANT EVENTS

### 1. Segment Reporting

Item	Group				
	Year ended 31 December 2015				Total
	Corporate banking business	Personal banking business	Treasury business	Other business	
<b>I. Operating income</b>	8,714,314	3,712,110	2,635,910	222,323	15,284,657
Net interest income	8,112,032	3,027,462	450,613	94,872	11,684,979
Of which: external net interest income	8,504,439	(3,688,721)	6,254,163	615,098	11,684,979
internal net interest income	(392,407)	6,716,183	(5,803,550)	(520,226)	-
Net fee and commission income	523,611	682,558	183,598	9,517	1,399,284
Investment income	12,817	-	1,960,969	82,151	2,055,937
Gains / (losses) from changes in fair value	-	-	191,778	-	191,778
Exchange gains	50,117	2,090	(151,048)	21,956	(76,885)
Other operating income	15,737	-	-	13,827	29,564
<b>II. Operating expense</b>	(4,452,089)	(1,991,812)	(474,950)	(1,270,254)	(8,189,105)
Business taxes and levies	(678,737)	(153,229)	(115,807)	(3,928)	(951,701)
General and administrative expenses	(2,194,316)	(1,618,815)	(359,143)	(1,258,441)	(5,430,715)
Impairment losses reversed / (charged)	(1,556,498)	(219,768)	-	(6,996)	(1,783,262)
Other operating expense	(22,538)	-	-	(889)	(23,427)
<b>III. Operating income</b>	4,262,225	1,720,298	2,160,960	(1,047,931)	7,095,552
Add: non-operating income	-	-	-	283,037	283,037
Less: non-operating expenses	-	-	-	(152,836)	(152,836)
Profit before tax	4,262,225	1,720,298	2,160,960	(917,730)	7,225,753
Total assets	243,417,055	48,580,765	217,764,964	77,250,760	587,013,544
Total liabilities	(250,070,206)	(212,044,144)	(75,177,941)	(6,394,776)	(543,687,067)



Item	Group				
	Year ended 31 December 2014				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
<b>I. Operating income</b>	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
<b>II. Operating expense</b>	(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)
<b>III. Operating income</b>	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	Bank				
	Year ended 31 December 2015				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
<b>I. Operating income</b>	8,386,064	3,335,707	2,384,200	220,652	14,326,623
Net interest income	7,688,276	2,651,059	198,903	93,201	10,631,439
Of which: external net interest income	8,080,683	(4,065,124)	6,002,453	613,427	10,631,439
internal net interest income	(392,407)	6,716,183	(5,803,550)	(520,226)	-
Net fee and commission income	632,452	682,558	183,598	9,517	1,508,125
Investment income	-	-	1,960,969	82,151	2,043,120
Gains / (losses) from changes in fair value	-	-	191,778	-	191,778
Exchange gains	50,117	2,090	(151,048)	21,956	(76,885)
Other operating income	15,219	-	-	13,827	29,046
<b>II. Operating expense</b>	(4,117,130)	(1,653,703)	(436,363)	(1,254,029)	(7,461,225)
Business taxes and levies	(659,403)	(138,687)	(113,091)	(2,786)	(913,967)
General and administrative expenses	(2,044,087)	(1,426,743)	(323,272)	(1,243,358)	(5,037,460)
Impairment losses reversed / (charged)	(1,392,674)	(88,273)	-	(6,996)	(1,487,943)
Other operating expense	(20,966)	-	-	(889)	(21,855)
<b>III. Operating income</b>	4,268,934	1,682,004	1,947,837	(1,033,377)	6,865,398
Add: non-operating income	-	-	-	70,729	70,729
Less: non-operating expenses	-	-	-	(152,141)	(152,141)
Profit before tax	4,268,934	1,682,004	1,947,837	(1,114,789)	6,783,986
Total assets	236,136,856	42,161,392	212,770,799	74,043,600	565,112,647
Total liabilities	(233,500,597)	(203,913,387)	(80,613,887)	(5,537,137)	(523,565,008)

Item	Bank				
	Year ended 31 December 2014				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
<b>I. Operating income</b>	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
<b>II. Operating expense</b>	(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)
<b>III. Operating income</b>	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)

## 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 difference types of collateral. The principal collateral types for corporate loans and individual loans are as follows:

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

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

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

##### (2) Credit-related commitments

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

by the Group to lessen the credit risks related to certain of these commitments provided by the Group. The Group's potential amount of credit risk is equivalent to the total amount of credit commitments.

### 2.2.3 Impairment and provision policies

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

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

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

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

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

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

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
<b>Credit risk exposures relating to balance sheet items:</b>				
Cash and balances with central bank	71,054,780	77,687,458	67,073,644	74,286,474
Due from banks and other financial institutions	12,363,962	11,117,217	8,148,208	7,526,332
Placement with banks and other financial institutions	20,096,283	16,401,840	20,096,283	16,401,840
Financial assets at fair value through profit or loss	1,757,094	2,925,318	1,757,094	2,925,318
Derivative financial assets	225,390	8,580	225,390	8,580
Financial assets purchased under resale agreements	16,693,625	11,315,923	16,693,625	11,315,923
Interest receivables	2,536,722	1,996,355	2,481,135	1,938,245
Loans and advances to customers	289,035,448	252,017,627	275,378,164	239,756,865
Available-for-sale financial assets	94,295,011	49,531,864	93,623,917	49,381,864
Held-to-maturity investments	56,809,691	40,420,566	56,809,691	40,420,566
Investments classified as loans and receivables	9,711,855	9,791,832	9,711,855	9,791,832
Other financial assets	192,345	164,815	169,963	146,606
<b>Sub-total</b>	<b>574,772,206</b>	<b>473,379,395</b>	<b>552,168,969</b>	<b>453,900,445</b>
<b>Credit risk exposures relating to off-balance-sheet items:</b>				
Credit related commitments	13,606,035	12,555,162	13,606,035	12,555,162
Acceptances	7,772,282	5,716,508	7,772,282	5,716,508
Letters of guarantee	3,318,761	1,817,922	3,318,761	1,817,922
Letters of credit	1,302,031	1,261,790	1,302,031	1,261,790
<b>Sub-total</b>	<b>25,999,109</b>	<b>21,351,382</b>	<b>25,999,109</b>	<b>21,351,382</b>
<b>Total</b>	<b>600,771,315</b>	<b>494,730,777</b>	<b>578,168,078</b>	<b>475,251,827</b>

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2015 and 2014, 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 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Neither past due nor impaired	49,153,870	38,834,980	44,938,116	35,244,095

**2.2.6 Loans and advances to customers**

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Neither past due nor impaired	291,548,620	254,718,323	277,885,855	242,156,347
Past due but not impaired	1,681,557	1,026,467	1,335,875	915,978
Individually impaired	4,095,566	3,306,883	3,687,061	3,248,612
<b>Gross</b>	<b>297,325,743</b>	<b>259,051,673</b>	<b>282,908,791</b>	<b>246,320,937</b>
Less: impairment losses	(8,290,295)	(7,034,046)	(7,530,627)	(6,564,072)
<b>Net</b>	<b>289,035,448</b>	<b>252,017,627</b>	<b>275,378,164</b>	<b>239,756,865</b>

**(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 2015			As at 31 December 2014		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	240,568,547	47,706,388	288,274,935	218,250,937	31,966,532	250,217,469
Special mention	3,138,494	135,191	3,273,685	4,474,496	26,358	4,500,854
<b>Total</b>	<b>243,707,041</b>	<b>47,841,579</b>	<b>291,548,620</b>	<b>222,725,433</b>	<b>31,992,890</b>	<b>254,718,323</b>

Item	Bank					
	As at 31 December 2015			As at 31 December 2014		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	233,553,683	41,611,857	275,165,540	210,814,124	26,951,162	237,765,286
Special mention	2,720,315	-	2,720,315	4,391,061	-	4,391,061
<b>Total</b>	<b>236,273,998</b>	<b>41,611,857</b>	<b>277,885,855</b>	<b>215,205,185</b>	<b>26,951,162</b>	<b>242,156,347</b>



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

Group					
As at 31 December 2015					
Item	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total
Corporate	206,005	347,727	62,737	524,364	1,140,833
Individual	318,702	98,511	43,266	80,245	540,724
<b>Total</b>	<b>524,707</b>	<b>446,238</b>	<b>106,003</b>	<b>604,609</b>	<b>1,681,557</b>

Group					
As at 31 December 2014					
Item	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
<b>Total</b>	<b>393,678</b>	<b>285,074</b>	<b>105,689</b>	<b>242,026</b>	<b>1,026,467</b>

Bank					
As at 31 December 2015					
Item	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total
Corporate	165,279	298,978	41,430	439,098	944,785
Individual	288,062	77,150	25,878	-	391,090
<b>Total</b>	<b>453,341</b>	<b>376,128</b>	<b>67,308</b>	<b>439,098</b>	<b>1,335,875</b>

Group					
As at 31 December 2014					
Item	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
<b>Total</b>	<b>372,142</b>	<b>263,143</b>	<b>87,450</b>	<b>193,243</b>	<b>915,978</b>

The fair value of collaterals was estimated by management based on the latest available external valuations, adjusted for the current market situation and management's experience in realisation of collaterals.

*(c) Loans and advances to customers individually impaired*

Item	Group		Bank	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Corporate	3,653,957	2,946,996	3,285,469	2,896,146
Individual	441,609	359,887	401,592	352,466
<b>Total</b>	<b>4,095,566</b>	<b>3,306,883</b>	<b>3,687,061</b>	<b>3,248,612</b>

***(d) Loans and advances to customers restructured***

Restructured loans represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 31 December 2015, the restructured loans held by the Group amounted to RMB 60,120 thousand (As at 31 December 2014: RMB 89,000 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).

Item	Group				
	As at 31 December 2015				
	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+	180,220	12,705,655	7,861,214	-	20,747,089
AA- to AA+	-	5,390,953	1,432,091	-	6,823,044
A-1	-	-	-	-	-
<b>Unrated:</b>					
Treasury bonds and government bonds	-	8,254,625	44,900,985	111,069	53,266,679
Bonds issued by policy banks	955,694	12,004,246	2,385,431	-	15,345,371
Interbank negotiable certificates of deposit <sup>(Note 1)</sup>	621,180	9,567,791	29,970	-	10,218,941
Financial institutions bonds <sup>(Note 2)</sup>	-	-	200,000	-	200,000
Wealth management products issued by other banks <sup>(Note 3)</sup>	-	37,819,070	-	-	37,819,070
Trusts and asset management plans <sup>(Note 4)</sup>	-	8,552,671	-	9,600,786	18,153,457
<b>Total</b>	<b>1,757,094</b>	<b>94,295,011</b>	<b>56,809,691</b>	<b>9,711,855</b>	<b>162,573,651</b>

Item	Group				
	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+	-	4,573,625	716,927	-	5,290,552
A-1	558,487	302,469	-	-	860,956
<b>Unrated:</b>					
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 <sup>(Note 1)</sup>	786,715	2,338,070	-	-	3,124,785
Financial institutions bonds <sup>(Note 2)</sup>	-	-	314,226	-	314,226
Wealth management products issued by other banks <sup>(Note 3)</sup>	-	14,005,677	-	-	14,005,677
Trusts and asset management plans <sup>(Note 4)</sup>	-	3,467,028	-	9,680,052	13,147,080
<b>Total</b>	<b>2,925,318</b>	<b>49,531,864</b>	<b>40,420,566</b>	<b>9,791,832</b>	<b>102,669,580</b>

Item	Bank				
	As at 31 December 2015				
	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+	180,220	12,345,547	7,861,214	-	20,386,981
AA- to AA+	-	5,079,967	1,432,091	-	6,512,058
A-1	-	-	-	-	-
<b>Unrated:</b>					
Treasury bonds and government bonds	-	8,254,625	44,900,985	111,069	53,266,679
Bonds issued by policy banks	955,694	12,004,246	2,385,431	-	15,345,371
Interbank negotiable certificates of deposit <sup>(Note 1)</sup>	621,180	9,567,791	29,970	-	10,218,941
Financial institutions bonds <sup>(Note 2)</sup>	-	-	200,000	-	200,000
Wealth management products issued by other banks <sup>(Note 3)</sup>	-	37,819,070	-	-	37,819,070
Trusts and asset management plans <sup>(Note 4)</sup>	-	8,552,671	-	9,600,786	18,153,457
<b>Total</b>	<b>1,757,094</b>	<b>93,623,917</b>	<b>56,809,691</b>	<b>9,711,855</b>	<b>161,902,557</b>

Item	Group				
	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
<b>Unrated:</b>					
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 <sup>(Note 1)</sup>	786,715	2,338,070	-	-	3,124,785
Financial institutions bonds <sup>(Note 2)</sup>	-	-	314,226	-	314,226
Wealth management products issued by other banks <sup>(Note 3)</sup>	-	14,005,677	-	-	14,005,677
Trusts and asset management plans <sup>(Note 4)</sup>	-	3,467,028	-	9,680,052	13,147,080
<b>Total</b>	<b>2,925,318</b>	<b>49,381,864</b>	<b>40,420,566</b>	<b>9,791,832</b>	<b>102,519,580</b>

Note 1: The interbank deposit held by the Group is deposit voucher entry issued by domestic commercial banks in the nation.

Note 2: The unrated financial institutions bonds held by the Group mainly are subordinated bonds issued for listed insurance companies.

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 2015, RMB300,000 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 2014: RMB5,600,000 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 2015			
	RMB	USD	Others	Total
<b>Assets</b>				
Cash and balances with central bank	70,762,110	262,406	30,264	71,054,780
Due from banks and other financial institutions	11,996,998	305,417	61,547	12,363,962
Placements with banks and other financial institutions	18,560,000	1,376,643	159,640	20,096,283
Financial assets at fair value through profit or loss	1,757,094	-	-	1,757,094
Derivative financial assets	123,196	68,810	33,384	225,390
Financial assets purchased under resale agreements	16,693,625	-	-	16,693,625
Loans and advances to customers	286,823,585	2,099,587	112,276	289,035,448
Available-for-sale financial assets	95,619,557	-	-	95,619,557
Held-to-maturity investments	56,809,691	-	-	56,809,691
Investments classified as loans and receivables	9,711,855	-	-	9,711,855
Other assets	13,622,098	23,477	284	13,645,859
<b>Total assets</b>	<b>582,479,809</b>	<b>4,136,340</b>	<b>397,395</b>	<b>587,013,544</b>
<b>Liabilities</b>				
Borrowings from central bank	(3,434,500)	-	-	(3,434,500)
Due to banks and other financial institutions	(48,665,411)	(28,519)	-	(48,693,930)
Placements from banks and other financial institutions	-	(1,382,696)	-	(1,382,696)
Derivative financial liabilities	(2,783)	(31,777)	(8,109)	(42,669)
Financial assets sold under repurchase agreements	(21,903,570)	-	-	(21,903,570)
Due to customers	(445,745,237)	(4,406,320)	(216,772)	(450,368,329)
Debt securities issued	(3,968,322)	-	-	(3,968,322)
Other liabilities	(13,823,000)	(59,610)	(10,441)	(13,893,051)
<b>Total liabilities</b>	<b>(537,542,823)</b>	<b>(5,908,922)</b>	<b>(235,322)</b>	<b>(543,687,067)</b>
Net position	44,936,986	(1,772,582)	162,073	43,326,477
Financial guarantee and credit-related commitments	23,768,818	2,147,270	22,060	25,938,148

Item	Group			
	As at 31 December 2014			
	RMB	USD	Others	Total
<b>Assets</b>				
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
Derivative financial assets	658	6,399	1,523	8,580
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	12,221,826	9,021	65	12,230,912
<b>Total assets</b>	<b>482,420,372</b>	<b>2,737,101</b>	<b>145,708</b>	<b>485,303,181</b>
<b>Liabilities</b>				
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)
Derivative financial liabilities	(4,164)	(1,980)	(11,530)	(17,674)
Financial assets sold under repurchase agreements	(18,569,533)	-	-	(18,569,533)
Due to customers	(393,602,738)	(1,928,140)	(147,267)	(395,678,145)
Debt securities issued	(7,955,158)	-	-	(7,955,158)
Other liabilities	(11,676,988)	(10,459)	(33,882)	(11,721,329)
<b>Total liabilities</b>	<b>(443,121,246)</b>	<b>(3,845,745)</b>	<b>(192,679)</b>	<b>(447,159,670)</b>
Net position	39,299,126	(1,108,644)	(46,971)	38,143,511
Financial guarantee and credit-related commitments	19,621,417	1,695,687	34,278	21,351,382

Item	Bank			
	As at 31 December 2015			
	RMB	USD	Others	Total
<b>Assets</b>				
Cash and balances with central bank	66,780,974	262,406	30,264	67,073,644
Due from banks and other financial institutions	7,781,244	305,417	61,547	8,148,208
Placements with banks and other financial institutions	18,560,000	1,376,643	159,640	20,096,283
Financial assets at fair value through profit or loss	1,757,094	-	-	1,757,094
Derivative financial assets	123,196	68,810	33,384	225,390
Financial assets purchased under resale agreements	16,693,625	-	-	16,693,625
Loans and advances to customers	273,166,301	2,099,587	112,276	275,378,164
Available-for-sale financial assets	94,948,463	-	-	94,948,463
Held-to-maturity investments	56,809,691	-	-	56,809,691
Investments classified as loans and receivables	9,711,855	-	-	9,711,855
Other assets	14,246,469	23,477	284	14,270,230
<b>Total assets</b>	<b>560,578,912</b>	<b>4,136,340</b>	<b>397,395</b>	<b>565,112,647</b>
<b>Liabilities</b>				
Borrowings from central bank	(2,700,000)	-	-	(2,700,000)
Due to banks and other financial institutions	(54,091,386)	(28,519)	-	(54,119,905)
Placements from banks and other financial institutions	-	(1,382,696)	-	(1,382,696)
Derivative financial liabilities	(2,783)	(31,777)	(8,109)	(42,669)
Financial assets sold under repurchase agreements	(21,903,570)	-	-	(21,903,570)
Due to customers	(421,252,063)	(4,406,320)	(216,772)	(425,875,155)
Debt securities issued	(3,968,322)	-	-	(3,968,322)
Other liabilities	(13,502,640)	(59,610)	(10,441)	(13,572,691)
<b>Total liabilities</b>	<b>(517,420,764)</b>	<b>(5,908,922)</b>	<b>(235,322)</b>	<b>(523,565,008)</b>
Net position	43,158,148	(1,772,582)	162,073	41,547,639
Financial guarantee and credit-related commitments	23,768,818	2,147,270	22,060	25,938,148



Item	Bank			
	As at 31 December 2014			
	RMB	USD	Others	Total
<b>Assets</b>				
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
Derivative financial assets	658	6,399	1,523	8,580
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	12,922,217	9,021	65	12,931,303
<b>Total assets</b>	<b>463,718,132</b>	<b>2,737,101</b>	<b>145,708</b>	<b>466,600,941</b>
<b>Liabilities</b>				
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)
Derivative financial liabilities	(4,164)	(1,980)	(11,530)	(17,674)
Financial assets sold under repurchase agreements	(18,569,533)	-	-	(18,569,533)
Due to customers	(373,049,212)	(1,928,140)	(147,267)	(375,124,619)
Debt securities issued	(7,955,158)	-	-	(7,955,158)
Other liabilities	(11,399,867)	(10,459)	(33,882)	(11,444,208)
<b>Total liabilities</b>	<b>(425,864,625)</b>	<b>(3,845,745)</b>	<b>(192,679)</b>	<b>(429,903,049)</b>
Net position	37,853,507	(1,108,644)	(46,971)	36,697,892
Financial guarantee and credit-related commitments	19,621,417	1,695,687	34,278	21,351,382

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 2015	Year ended 31 December 2014
5% appreciation of RMB	(59,685)	(43,069)
5% depreciation of RMB	59,685	43,069

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.

The tables below summarise the Group's exposures to interest rate risks. The tables show the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

Item	Group					
	As at 31 December 2015					
	Up to 3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
Assets						
Cash and balances with central bank	68,084,698	-	-	-	2,970,082	71,054,780
Due from banks and other financial institutions	6,708,262	5,655,700	-	-	-	12,363,962
Placements with banks and other financial institutions	6,676,795	13,419,488	-	-	-	20,096,283
Financial assets at fair value through profit or loss	647,867	454,098	517,885	137,244	-	1,757,094
Derivative financial assets	-	-	-	-	225,390	225,390
Financial assets purchased under resale agreements	13,859,952	2,833,673	-	-	-	16,693,625
Loans and advances to customers	89,439,596	185,228,121	10,786,560	3,581,171	-	289,035,448
Available-for-sale financial assets	22,040,869	42,777,544	20,319,430	9,157,168	1,324,546	95,619,557
Held-to-maturity investments	2,724,788	10,517,701	30,387,117	13,180,085	-	56,809,691
Investments classified as loans and receivables	2,910,064	5,761,285	1,040,506	-	-	9,711,855
Other assets	-	-	-	-	13,645,859	13,645,859
Total assets	213,092,891	266,647,610	63,051,498	26,055,668	18,165,877	587,013,544
Liabilities						
Borrowings from central bank	(969,500)	(2,465,000)	-	-	-	(3,434,500)
Due to banks and other financial institutions	(46,928,930)	(1,765,000)	-	-	-	(48,693,930)
Placements with banks and other financial institutions	(1,342,939)	(39,757)	-	-	-	(1,382,696)
Derivative financial liabilities	-	-	-	-	(42,669)	(42,669)
Financial assets sold under repurchase agreements	(21,892,239)	(11,331)	-	-	-	(21,903,570)
Due to customers	(259,918,194)	(96,300,368)	(94,148,498)	(1,269)	-	(450,368,329)
Debt securities issued	(3,968,322)	-	-	-	-	(3,968,322)
Other liabilities	-	-	-	-	(13,893,051)	(13,893,051)
Total liabilities	(335,020,124)	(100,581,456)	(94,148,498)	(1,269)	(13,935,720)	(543,687,067)
Total interest sensitivity gap	(121,927,233)	166,066,154	(31,097,000)	26,054,399	4,230,157	43,326,477

Item	Group					
	As at 31 December 2014					
	Up to 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>						
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
Derivative financial assets	-	-	-	-	8,580	8,580
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	-	-	-	-	12,230,912	12,230,912
<b>Total assets</b>	<b>179,256,273</b>	<b>225,671,069</b>	<b>43,903,351</b>	<b>19,742,414</b>	<b>16,730,074</b>	<b>485,303,181</b>
<b>Liabilities</b>						
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)
Derivative financial liabilities	-	-	-	-	(17,674)	(17,674)
Financial assets sold under repurchase agreements	(18,522,121)	(47,412)	-	-	-	(18,569,533)
Due to customers	(232,320,814)	(82,941,496)	(80,415,112)	(723)	-	(395,678,145)
Debt securities issued	(1,975,837)	(5,979,321)	-	-	-	(7,955,158)
Other liabilities	-	-	-	-	(11,721,329)	(11,721,329)
<b>Total liabilities</b>	<b>(264,590,254)</b>	<b>(90,414,578)</b>	<b>(80,415,112)</b>	<b>(723)</b>	<b>(11,739,003)</b>	<b>(447,159,670)</b>
Total interest sensitivity gap	(85,333,981)	135,256,491	(36,511,761)	19,741,691	4,991,071	38,143,511

Item	Bank					
	As at 31 December 2015					
	Up to 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>						
Cash and balances with central bank	64,200,577	-	-	-	2,873,067	67,073,644
Due from banks and other financial institutions	3,148,208	5,000,000	-	-	-	8,148,208
Placements with banks and other financial institutions	6,676,795	13,419,488	-	-	-	20,096,283
Financial assets at fair value through profit or loss	647,867	454,098	517,885	137,244	-	1,757,094
Derivative financial assets	-	-	-	-	225,390	225,390
Financial assets purchased under resale agreements	13,859,952	2,833,673	-	-	-	16,693,625
Loans and advances to customers	87,118,704	176,627,537	8,631,132	3,000,791	-	275,378,164
Available-for-sale financial assets	21,973,585	42,761,632	19,738,255	9,150,445	1,324,546	94,948,463
Held-to-maturity investments	2,724,788	10,517,701	30,387,117	13,180,085	-	56,809,691
Investments classified as loans and receivables	2,910,064	5,761,285	1,040,506	-	-	9,711,855
Other assets	-	-	-	-	14,270,230	14,270,230
<b>Total assets</b>	<b>203,260,540</b>	<b>257,375,414</b>	<b>60,314,895</b>	<b>25,468,565</b>	<b>18,693,233</b>	<b>565,112,647</b>
<b>Liabilities</b>						
Borrowings from central bank	(500,000)	(2,200,000)	-	-	-	(2,700,000)
Due to banks and other financial institutions	(51,893,905)	(2,206,000)	(20,000)	-	-	(54,119,905)
Placements with banks and other financial institutions	(1,342,939)	(39,757)	-	-	-	(1,382,696)
Derivative financial liabilities	-	-	-	-	(42,669)	(42,669)
Financial assets sold under repurchase agreements	(21,892,239)	(11,331)	-	-	-	(21,903,570)
Due to customers	(241,268,363)	(92,586,275)	(92,019,248)	(1,269)	-	(425,875,155)
Debt securities issued	(3,968,322)	-	-	-	-	(3,968,322)
Other liabilities	-	-	-	-	(13,572,691)	(13,572,691)
<b>Total liabilities</b>	<b>(320,865,768)</b>	<b>(97,043,363)</b>	<b>(92,039,248)</b>	<b>(1,269)</b>	<b>(13,615,360)</b>	<b>(523,565,008)</b>
Total interest sensitivity gap	(117,605,228)	160,332,051	(31,724,353)	25,467,296	5,077,873	41,547,639

Item	Bank					
	As at 31 December 2014					
	Up to 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>						
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
Derivative financial assets	-	-	-	-	8,580	8,580
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	-	-	-	-	12,931,303	12,931,303
<b>Total assets</b>	<b>164,067,879</b>	<b>222,928,969</b>	<b>43,219,200</b>	<b>19,048,447</b>	<b>17,336,446</b>	<b>466,600,941</b>
<b>Liabilities</b>						
Borrowings from central bank	-	(500,000)	-	-	-	(500,000)
Due to banks and other financial institutions	(13,718,989)	(670,000)	-	-	-	(14,388,989)
Placements with banks and other financial institutions	(1,830,519)	(72,349)	-	-	-	(1,902,868)
Derivative financial liabilities	-	-	-	-	(17,674)	(17,674)
Financial assets sold under repurchase agreements	(18,522,121)	(47,412)	-	-	-	(18,569,533)
Due to customers	(215,896,588)	(79,738,266)	(79,489,042)	(723)	-	(375,124,619)
Debt securities issued	(1,975,837)	(5,979,321)	-	-	-	(7,955,158)
Other liabilities	-	-	-	-	(11,444,208)	(11,444,208)
<b>Total liabilities</b>	<b>(251,944,054)</b>	<b>(87,007,348)</b>	<b>(79,489,042)</b>	<b>(723)</b>	<b>(11,461,882)</b>	<b>(429,903,049)</b>
Total interest sensitivity gap	(87,876,175)	135,921,621	(36,269,842)	19,047,724	5,874,564	36,697,892

The table below illustrates the impact of coming year net interest income of the Group at 31 December 2015 and 2014 by the parallel shift of 100 basis point of interest rate structure of interest bearing assets and liabilities.

Item	Group			
	Year ended 31 December 2015		Year ended 31 December 2014	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points parallel shift in all yield curves	985,076	(836,386)	844,913	512,416
-100 basis points parallel shift in all yield curves	(985,076)	977,097	(844,913)	(576,957)

Item	Bank			
	Year ended 31 December 2015		Year ended 31 December 2014	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points parallel shift in all yield curves	894,209	(826,732)	830,101	(510,627)
-100 basis points parallel shift in all yield curves	(894,209)	967,270	(830,101)	575,115

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 VIII.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 rations, 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 2015								
Item	Overdue/ undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial assets</b>								
Cash and balances with central bank	62,902,442	8,184,121	-	-	-	-	-	71,086,563
Due from banks and other financial institutions	-	2,802,392	1,911,998	2,037,967	5,923,664	-	-	12,676,021
Placements with banks and other financial institutions	-	-	3,172,519	3,631,030	13,888,583	-	-	20,692,132
Financial assets at fair value through profit or loss	-	-	157,929	504,241	478,495	573,793	158,603	1,873,061
Financial assets purchased under resale agreements	-	-	13,866,297	-	2,860,354	-	-	16,726,651
Loans and advances to customers	5,484,983	-	12,444,413	22,220,112	100,028,448	142,864,420	54,506,088	337,548,464
Available-for-sale financial assets	1,118,284	-	7,787,781	11,943,819	44,375,963	26,892,154	9,476,089	101,594,090
Held-to-maturity investments	-	-	306,651	2,099,698	12,011,511	36,619,131	15,067,419	66,104,410
Investments classified as loans and receivables	-	-	1,481,871	1,588,010	6,044,255	1,113,975	-	10,228,111
Other financial assets	-	-	192,345	-	-	-	-	192,345
Total financial assets (contractual maturity dates)	69,505,709	10,986,513	41,321,804	44,024,877	185,611,273	208,063,473	79,208,199	638,721,848
<b>Financial liabilities</b>								
Borrowings from central bank	-	-	-	(568,703)	(428,822)	(2,543,001)	-	(3,540,526)
Due to banks and other financial institutions	-	(411,139)	(34,237,036)	(12,458,779)	(1,800,519)	-	-	(48,907,473)
Placements from banks and other financial institutions	-	-	(837,923)	(507,206)	(40,017)	-	-	(1,385,146)
Financial assets sold under repurchase agreements	-	-	(19,823,506)	(2,104,535)	(11,400)	-	-	(21,939,441)
Due to customers	-	(193,067,885)	(33,369,262)	(32,625,437)	(90,607,836)	(107,673,788)	-	(457,344,208)
Debt securities issued	-	-	(4,000,000)	-	-	-	-	(4,000,000)
Other financial liabilities	-	-	(1,079,584)	-	-	-	-	(1,079,584)
Total financial liabilities (contractual maturity dates)	-	(193,479,024)	(93,347,311)	(48,264,660)	(92,888,594)	(110,216,789)	-	(538,196,378)
Net position	69,505,709	(182,492,511)	(52,025,507)	(4,239,783)	92,722,679	97,846,684	79,208,199	100,525,470



Item	Group							
	As at 31 December 2014							
	Overdue/ undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial assets</b>								
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
<b>Financial liabilities</b>								
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	Bank							Total
	As at 31 December 2015							
	已逾期 / 无期限	即时 偿还	1 个月内	1 至 3 个月	3 个月 至 1 年	1 至 5 年	5 年 以上	
Financial assets								
Cash and balances with central bank	59,018,321	8,087,106	-	-	-	-	-	67,105,427
Due from banks and other financial institutions	-	2,342,671	5,541	834,598	5,245,743	-	-	8,428,553
Placements with banks and other financial institutions	-	-	3,172,519	3,631,030	13,888,583	-	-	20,692,132
Financial assets at fair value through profit or loss	-	-	157,929	504,241	478,495	573,793	158,603	1,873,061
Financial assets purchased under resale agreements	-	-	13,866,297	-	2,860,354	-	-	16,726,651
Loans and advances to customers	4,745,649	-	12,349,322	20,571,882	91,130,039	140,200,898	53,692,075	322,689,865
Available-for-sale financial assets	1,118,284	-	7,787,781	11,919,650	44,359,217	26,881,034	9,476,089	101,542,055
Held-to-maturity investments	-	-	306,651	2,099,698	12,011,511	36,619,131	15,067,419	66,104,410
Investments classified as loans and receivables	-	-	1,481,871	1,588,010	6,044,255	1,113,975	-	10,228,111
Other financial assets	-	-	169,963	-	-	-	-	169,963
Total financial assets (contractual maturity dates)	64,882,254	10,429,777	39,297,874	41,149,109	176,018,197	205,388,831	78,394,186	615,560,228
Financial liabilities								
Borrowings from central bank	-	-	(518,000)	-	(2,272,300)	-	-	(2,790,300)
Due to banks and other financial institutions	-	(2,385,113)	(36,122,570)	(13,576,787)	(2,250,813)	(22,084)	-	(54,357,367)
Placements from banks and other financial institutions	-	-	(837,923)	(507,206)	(40,017)	-	-	(1,385,146)
Financial assets sold under repurchase agreements	-	-	(19,823,506)	(2,104,535)	(11,400)	-	-	(21,939,441)
Due to customers	-	(176,857,048)	(32,699,092)	(30,808,654)	(86,788,603)	(105,199,088)	-	(432,352,485)
Debt securities issued	-	-	(4,000,000)	-	-	-	-	(4,000,000)
Other financial liabilities	-	-	(1,067,938)	-	-	-	-	(1,067,938)
Total financial liabilities (contractual maturity dates)	-	(179,242,161)	(95,069,029)	(46,997,182)	(91,363,133)	(105,221,172)	-	(517,892,677)
Net position	64,882,254	(168,812,384)	(55,771,155)	(5,848,073)	84,655,064	100,167,659	78,394,186	97,667,551

Item	Bank							Total
	As at 31 December 2014							
	已逾期 / 无期限	即时 偿还	1 个月内	1 至 3 个月	3 个月 至 1 年	1 至 5 年	5 年 以上	
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

## 2.4.2 Derivative financial instruments cash flows

### (i) Derivative settled on a net basis

Derivatives that will be settled on a net basis refer to interest rate derivatives and precious metals derivatives. The tables below set forth the Group's net derivative financial instruments position by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group and Bank						
As at 31 December 2015						
Item	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(415)	523	(239)	-	-	(131)
Precious metals derivatives	5,137	3,072	9,955	-	-	18,164
<b>Total</b>	<b>4,722</b>	<b>3,595</b>	<b>9,716</b>	<b>-</b>	<b>-</b>	<b>18,033</b>

Group and Bank						
As at 31 December 2014						
Item	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	54	(157)	(317)	-	-	(420)
Precious metals derivatives	(9,136)	-	-	-	-	(9,136)
<b>Total</b>	<b>(9,082)</b>	<b>(157)</b>	<b>(317)</b>	<b>-</b>	<b>-</b>	<b>(9,556)</b>

### (ii) Derivative settled on a gross basis

Derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group's position by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group and Bank						
As at 31 December 2015						
Item	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	1,371,711	3,899,648	14,804,318	-	-	20,075,677
- Cash outflow	(1,308,848)	(3,869,754)	(14,775,386)	-	-	(19,953,988)
<b>Total</b>	<b>62,863</b>	<b>29,894</b>	<b>28,932</b>	<b>-</b>	<b>-</b>	<b>121,689</b>

Group and Bank						
As at 31 December 2014						
Item	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	1,101,192	1,456,277	645,762	-	-	3,203,231
- Cash outflow	(1,093,244)	(1,453,348)	(645,180)	-	-	(3,191,772)
<b>Total</b>	<b>7,948</b>	<b>2,929</b>	<b>582</b>	<b>-</b>	<b>-</b>	<b>11,459</b>

## 2.4.3 Off-balance-sheet items

Item	Group			
	As at 31 December 2015			
	Up to 1 year	1-5 years	Over 5 years	Total
Credit related commitments	3,505,203	5,293,967	4,745,904	13,545,074
Acceptances	7,772,282	-	-	7,772,282
Letters of guarantee	1,558,134	1,760,627	-	3,318,761
Letters of credit	1,302,031	-	-	1,302,031
Operating lease commitments	190,351	596,162	251,605	1,038,118
Capital commitments	340,524	275,240	-	615,764
<b>Total</b>	<b>14,668,525</b>	<b>7,925,996</b>	<b>4,997,509</b>	<b>27,592,030</b>

Item	Group			
	As at 31 December 2014			
	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
<b>Total</b>	<b>12,199,240</b>	<b>6,276,785</b>	<b>4,646,460</b>	<b>23,122,485</b>

Item	Bank			
	As at 31 December 2015			
	Up to 1 year	1-5 years	Over 5 years	Total
Credit related commitments	3,505,203	5,293,967	4,745,904	13,545,074
Acceptances	7,772,282	-	-	7,772,282
Letters of guarantee	1,558,134	1,760,627	-	3,318,761
Letters of credit	1,302,031	-	-	1,302,031
Operating lease commitments	160,576	509,529	207,928	878,033
Capital commitments	340,524	275,240	-	615,764
<b>Total</b>	<b>14,638,750</b>	<b>7,839,363</b>	<b>4,953,832</b>	<b>27,431,945</b>

Item	Bank			
	As at 31 December 2014			
	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
<b>Total</b>	<b>12,169,429</b>	<b>6,185,002</b>	<b>4,589,619</b>	<b>22,944,050</b>

### 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 2015			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	1,757,094	-	1,757,094
Available-for-sale financial assets				
- Debt securities	-	47,923,270	-	47,923,270
- Equity investments	667,415	-	645,293	1,312,708
- Trusts and asset management plans	-	-	8,552,671	8,552,671
Derivatives financial assets				
- Exchange rate derivatives	-	204,451	-	204,451
- Interest rate derivatives	-	2,783	-	2,783
- Precious metal	-	18,156	-	18,156
<b>Total financial assets</b>	<b>667,415</b>	<b>49,905,754</b>	<b>9,197,964</b>	<b>59,771,133</b>
<b>Financial liabilities</b>				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(39,757)	-	(39,757)
- Interest rate derivatives	-	(2,912)	-	(2,912)
- Precious metal	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>(42,669)</b>	<b>-</b>	<b>(42,669)</b>

Item	Group			
	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>1,196,913</b>	<b>34,993,057</b>	<b>4,112,321</b>	<b>40,302,291</b>
<b>Financial liabilities</b>				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(6,772)	-	(6,772)
- Interest rate derivatives	-	(578)	-	(578)
- Precious metal	-	(10,324)	-	(10,324)
<b>Total financial liabilities</b>	<b>-</b>	<b>(17,674)</b>	<b>-</b>	<b>(17,674)</b>

Item	Bank			
	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	1,757,094	-	1,757,094
Available-for-sale financial assets				
- Debt securities	-	47,252,176	-	47,252,176
- Equity investments	667,415	-	645,293	1,312,708
- Trusts and asset management plans	-	-	8,552,671	8,552,671
Derivatives financial assets				
- Exchange rate derivatives	-	204,451	-	204,451
- Interest rate derivatives	-	2,783	-	2,783
- Precious metal	-	18,156	-	18,156
<b>Total financial assets</b>	<b>667,415</b>	<b>49,234,660</b>	<b>9,197,964</b>	<b>59,100,039</b>
<b>Financial liabilities</b>				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(39,757)	-	(39,757)
- Interest rate derivatives	-	(2,912)	-	(2,912)
- Precious metal	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>(42,669)</b>	<b>-</b>	<b>(42,669)</b>

Item	Bank			
	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>1,196,913</b>	<b>34,843,057</b>	<b>4,112,321</b>	<b>40,152,291</b>
<b>Financial liabilities</b>				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(6,772)	-	(6,772)
- Interest rate derivatives	-	(578)	-	(578)
- Precious metal	-	(10,324)	-	(10,324)
<b>Total financial liabilities</b>	<b>-</b>	<b>(17,674)</b>	<b>-</b>	<b>(17,674)</b>

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 2015	645,293	3,467,028	4,112,321
Total gains or losses recognised in			
- Profit of loss	-	534,264	534,264
- Other comprehensive income	-	-	-
Purchase	-	7,995,382	7,995,382
Disposal	-	(3,444,003)	(3,444,003)
Balance as at 31 December 2015	645,293	8,552,671	9,197,964

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	-	14,600,400	14,600,400
Disposal	(14,601)	(13,704,267)	(13,718,868)
Balance as at 31 December 2014	645,293	3,467,028	4,112,321

### 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 and Bank			
	As at 31 December 2015		As at 31 December 2014	
	Fair value	Carrying amount	Fair value	Carrying amount
<b>Financial assets</b>				
Held-to-maturity investments	58,253,202	56,809,691	40,617,241	40,420,566
<b>Financial liabilities</b>				
Debt securities issued	3,904,865	3,968,322	7,949,964	7,955,158

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 2015 and 31 December 2014:

Item	As at 31 December 2015	As at 31 December 2014
Net Core Tier 1 Capital	39,752,441	35,240,534
Net Tier 1 Capital	39,752,441	35,240,534
Net Capital	43,596,003	38,555,993
Risk-weighted assets	358,339,717	305,089,300
Core Tier 1 Capital Adequacy Ratio (%)	11.09	11.55
Tier 1 Capital Adequacy Ratio (%)	11.09	11.55
Capital Adequacy Ratio (%)	12.17	12.64

## XV. RECLASSIFICATION OF COMPARATIVE FIGURES

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

## XVI. FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors on 30 March 2016.